

# **TRANSCRIPT OF PROCEEDINGS**

In the Matter of:

**NATIONAL PETROLEUM COUNCIL.**

Date: April 27, 1949.

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EXCERPTS "relative to exploration, production, refining, transportation,  
 marketing, or pricing of petroleum and its products outside the United  
 States."

	<u>Exploration</u>	<u>Production</u>	<u>Refining</u>	<u>Trans.</u>	<u>Marketing</u>	<u>Pricing</u>
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	<u>Other</u>					
Pages	<u>57-58</u>	<u>(Discussion - Importation)</u>				
"	<u>64-89</u>	<u>(W.J. Levy - E.C.A. and European Oil)</u>				
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Excerpts pertain solely to petroleum outside the United States - in the  
 rest of the world - in any foreign country and abroad. Excerpts do not  
 include any matter dealing with petroleum inside the United States.

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NATIONAL PETROLEUM COUNCIL

Wednesday, April 27, 1949

The National Petroleum Council met at 10:10 o'clock a.m., in Room 5164 Department of the Interior Building, Washington, D. C., Mr. Walter S. Hallanan, Chairman of the Council, presiding.

CHAIRMAN HALLANAN: Gentlemen, the Council will please come to order. The Secretary will call the roll.

(Mr. James V. Brown, Secretary and Treasurer of the Council, called the roll and the following responded:)

H. T. Ashton

Hines H. Baker

Max W. Ball

Munger T. Ball

T. M. Barton (T. M. Martin)

Paul G. Blazer

Rush M. Blodget

William R. Boyd, Jr.

Reid Brazell

Bruce K. Brown

Russell B. Brown

H. S. M. Burns

Fayette B. Dow

J. Frank Drake (Sidney A. Swensrud)

Gordon Duke

B. C. Graves

B. I. Graves

Walter S. Hallanan

Jake L. Hamon

Geo. A. Hill, Jr.

Harry B. Hiltz

Eugene Holman

A. Jacobsen

B. Brewster Jennings

W. Alton Jones

William Keck Jr.

John M. Lovejoy

B. L. Majewski

J. Howard Marshall

L. F. McCollum (Major Colgrove)

CHAIRMAN HALLANAN: Major Colgrove is here as Mr. McCollum's proxy.

(Mr. Brown continued to call the roll, and the following responded:)

J. S. Morris

S. F. Miness

Joseph L. Nolan

J. R. Parten

Rankin P. Peck



Dr. Joseph E. Pogue

Frank M. Porter

E. E. Pyles

D. T. Ring

W. S. S. Rodgers (Col. Klein A.C. Long)

CHAIRMAN HALLANAN: Colonel Klein and Mr. Long are here as alternates for Mr. Rodgers. Colonel Klein, will you and Mr. Long please stand? We are glad to have you here, gentlemen. (Applause)

(Mr. Brown continued to call the roll, and the following responded:)

Harry F. Sinclair (Watts)

Reese H. Taylor

W. W. Vandever

Guy I. Warren

L. S. Wescoat

Russell S. Williams

Dr. Robert E. Wilson

Henry E. Zoller

SECRETARY BROWN: A quorum is present, Mr. Chairman.

CHAIRMAN HALLANAN: Gentlemen, a quorum is present.

You have received by mail copies of the minutes of the last meeting of the Council held on January 13. What is your pleasure?

(Upon motion regularly made and seconded, put to a

vote and carried, the minutes were approved.)

CHAIRMAN HALLANAN: The report of the Secretary-Treasurer.

SECRETARY BROWN: During the first quarter, gentlemen, the contributions received were \$2,750. We were a little late in getting the requests out and that accounts for the small amount up to that time.

Other receipts were \$54.33. A total of \$2,804.33.

The disbursements for payroll, \$6,950. This includes the extra amounts for handling the National Oil Policy distribution. The taxes, \$856. Meetings, travel and so forth, \$1,494. Postage, \$537. Telephone and Telegraph, \$462. Rent, \$1,875. Subscriptions, \$744. Printing and supplies of regular nature, \$1,033. Printing and distribution of the National Oil Policy, \$6,674. Miscellaneous items, \$1,741. Furniture and fixtures, \$590.

Total expenditures during the quarter, \$22,174.

We started out with \$30,000 carry-over from last year. That left us a balance of \$10,903 on hand at the end of March.

CHAIRMAN HALLANAN: If there is no comment, the report will be received and made a part of the minutes of the meeting.

Gentlemen, at the January meeting of the Council, the Chairman was instructed in a resolution adopted by the

Council to send a telegram to each of the five final regional chairman under the Voluntary Petroleum Products Allocation Plan, recommending that the committees remain intact but that no further activities be undertaken unless specifically requested by the Secretary of the Interior or the Director of the Oil and Gas Division. For the purpose of the record I desire to report to the Council that a telegram was sent to each of the District Chairmen on January 14. Later, on February 28 another telegram was sent terminating all activities of regional advisory committees and sub-committees appointed under the Plan by the National Petroleum Council.

Each regional chairman has been asked for his views regarding any report to be made to the National Petroleum Council which may be of historical value concerning the activities of their respective regional committees and the proposed disposition of the records of each district committee. The Chairmen for Districts 1, 3 and 5 have informed me that in their opinion the minutes and reports heretofore presented contain the record of activities of their committees, and that the records which are not voluminous will be stored in designated offices within their respective districts.

I also desire to report to the Council that under the authority given at the January meeting, the Chairman has attempted to carry into effect your wishes with respect

to the distribution of the reports of the National Oil Policy Committee, which was adopted by the Council at the January meeting. We have attempted to cover all governmental and public agencies, the libraries, the newspapers, throughout the country.

I shall ask the Secretary to detail the coverage that we have had up to this time. However, I think that I should bring to the Council's attention that there has been a disappointing number of requests from members of the industry for copies of this report for distribution among the industry. We had furnished 50 copies to each member of the Council with the understanding that extra copies could be made available for general distribution among the industry. Up to this time we have only had requests for about 4,000 copies, but I do want to take this opportunity to call to your attention the fact that we must make known our requests shortly because of the desire of the printer to take down the proofs, and it will be necessary for us to know pretty quickly what your wishes may be.

Generally speaking, the report has been received with apparently great satisfaction. The letters we have received from members of Congress, from Governors, and from different avenues of public life has been very gratifying to us, but there still I think is a great field to be covered by this report.

SECRETARY BROWN: There were 35,000 copies printed. To the members of Congress, Cabinet Members, Supreme Court Members, heads of Government Agencies, the State Department, oil and gas division requests, and so on, 973. I think all of these went out under a personal letter from Mr. Hallan, from the White House right on down. With the compliments of the Council there were sent 8,807 to libraries, public universities, colleges, junior colleges, and law libraries. I am referring to the libraries of the colleges and universities.

To the Governors and State officials, 776. State legislators, 6,000. Newspapers, all the dailies and all the weeklies, totalling 8,412. To various society and association heads outside of the oil industry, 162. Commentators and columnists, 52. Officers and directors of the National Association of Manufacturers and the United States Chamber of Commerce, 303. To the presidents of railroads, transportation companies, automobile companies, diesel and aircraft manufacturers, and manufacturers of oil-consuming equipment, the heads of all these companies, 325. To labor leaders, 52. To petroleum industry committees, oil and gas and related association chairmen - the chairman of every association known to us that is in the oil or gas industry - received a copy.

The Council members through their individual requests for supplemental distribution, 3,805. Miscellaneous

requests from outsiders, 346. We have distributed 30,390-odd copies and have on hand 4,600.

CHAIRMAN HALLANAN: Mr. Jacobsen, do you desire to add any comment?

MR. JACOBSEN: No, I have no comments to make.

CHAIRMAN HALLANAN: May I ask again that if any member of the industry desires to secure any substantial number of copies of this report, let that request be forthcoming as soon as possible, please.

DR. WILSON: We made notice that we had available copies in dividend leaflets to the stockholders and got about 300, as I recall it, requests for it, which is a thing the companies might consider. I think it is well to have stockholders know that it is available.

DR. FOGUE: I would like to ask the Secretary if the list of distribution included the members of the American Economic Association.

SECRETARY BROWN: It did not, Dr. Fogue. *Fogue* I would like that it be considered, Mr. Chairman.

CHAIRMAN HALLANAN: What number would that be, Doctor?

DR. FOGUE: I don't know, maybe a large number, maybe 5,000.

SECRETARY BROWN: That is my recollection. That is more than I have now, so that calls for some special

action.

DR. POGUE: That is the type of membership that I think needs this sort of information.

CHAIRMAN HALLANAN: Suppose we pursue that, Dr. Pogue, and will you give us a memorandum.

Our organization provisions provide that any member of the Council at any time through a letter addressed to the Chairman suggest consideration of a subject which he thinks is important to the oil industry. Under that provision of Section 13 the Chairman has received a letter from Mr. E. E. Pyles, a member of the Council, which will be read at this time. Under the provision of our organization it will be transmitted immediately to the Secretary of the Interior and the Director of the Oil and Gas Division.

Mr. Secretary, will you read the letter?

SECRETARY BROWN: This is addressed to Mr. Hallanan as Chairman of the Conference:

"Dear Mr. Hallanan:

I have noted in recent press releases that the United States Government now has under consideration the question of making a loan to the Government of Mexico to be used in the development of oil fields, the building of pipelines, and expansion of refining facilities in that country. The amount of the proposed loan is reported to be approximately \$200 million. In my opinion this is a

matter of grave concern to this country's oil industry. The propriety of making such a loan at any time is questionable. But in view of the oversupply of crude oil and its products which we now have in this country the making of such a loan at this time would be most unwise. The question of giving \$200 million of taxpayers' money to a foreign government to be used in the disadvantage of one of our largest domestic industries appears to me to be a question of national importance.

"Accordingly, this will serve as my request as a Council member that this question be considered by the Council and that you as Chairman refer the matter to the Secretary of the Interior or the Director of the Oil and Gas Division of the Interior Department for approval or disapproval pursuant to Section 13 of the Articles of the Organization of the Council.

Respectfully submitted,

E. E. Pyles

"

CHAIRMAN HALLANAN: The letter will be transmitted, gentlemen, to the Secretary of the Interior.

I had hoped that we might have with us this morning the new Secretary of Defense, Colonel Louis Johnson. I know that he is tremendously interested in the subject of oil. I had hoped that the opportunity might be afforded for us to get acquainted with him at this meeting today. Unfortunately,



however, he was committed to another engagement which took him to New York and has written me that he would be unable to attend today's meeting. I have a note in which he extends his congratulations and felicitations to the members of the Council. He has sent along as his personal representative Mr. Donald Carpenter, Chairman of the Munitions Board. Mr. Carpenter was formerly with the Dupont Company and has been with the Remington Arms Company. He is serving in the important position of Chairman of the Munitions Board.

We are glad to have you here, Mr. Carpenter, to meet the members of the National Petroleum Council, and as Colonel Johnson's representative we would be glad to hear from you at this time. (Applause)

MR. DONALD CARPENTER (Chairman, Munitions Board):  
Gentlemen, I am very happy to be with you and I sincerely regret that Colonel Johnson is unable to be here. I wish personally to repeat what he has sent to you, Mr. Chairman, in his letter, that he has the greatest appreciation that you gentlemen represent one of the first lines of national security in the United States, as you well know. He, therefore, is doubly regretful that he cannot be with you today and hopes that he may have an opportunity to be so on some other occasion.

As you are undoubtedly aware, the activities in the Military Establishment in connection with petroleum are con-

sidered of such great importance that a special organization within the Military Establishment has been created and has been in operation for some time. The Petroleum Board and the Petroleum Purchasing Agency. Admiral Biggs, who is executive officer of the Petroleum Board, is here with you today, and will make a statement at a later time, I believe, during your meeting, and Colonel Cotulla, heading up the purchasing agency activity is also here and will also make a statement to you gentlemen. I wish to extend the appreciation of the military establishment for your continued cooperation, which has been a matter of extreme importance and look forward to continuing pleasant relationships in the future.

I thank you. (Applause)

CHAIRMAN HALLANAN: Thank you, Mr. Carpenter.

Mr. Carpenter, since the organization of this Council, the matter of meeting the military demands of our government has been the number one responsibility which this Council has faced. That has had priority and every consideration. We are very proud of the record that we have been able to achieve. We have gone through some very difficult periods of shortage, and at times there were many very dark situations. We had great anxiety about how these demands of the military could be met in these days of shortage. We have had committees of the Council, and those committees have kept in close touch with the representatives of the military.

One of the very active agencies in this connection has been the Committee on Military Requirements, of which Mr. Bruce Brown, a member of this Council, is chairman. I think while you are here this morning it might be entirely proper to ask Mr. Brown to review the situation and to give us the picture as he sees it as of today with respect to this matter. Mr. Brown?

MR. BRUCE K. BROWN: Mr. Carpenter and I are acquainted and from time to time he has heard my views on this subject. I shall comply with the Chairman's request.

First, the Oil and Gas Division, which is the sponsoring agency of the Government here, is of course the peacetime successor to the Petroleum Administration for War and this National Petroleum Council that we are here in today in a certain situation is a successor to the Petroleum Industry War Council.

There was during the war an Army-Navy Petroleum Board and that has been perpetuated with only the change that comes from unification. You have already referred to that as the Armed Services Petroleum Board. This particular organization was set up after World War II. The ASPD felt the need for confidential industry advice. The way this Council is situated we work in a goldfish bowl, with reporters and with press statements. The reports that we give to Government are only after ratification by <sup>the</sup> whole board,

which sometimes takes three months or so. So after some consideration given by the leaders of the Council, it was decided that the correct thing to do was to establish a special group to handle military confidential questions. That group is now called the Military Petroleum Advisory Board. It was appointed by the Secretary of the Interior. It has 22 members, of whom ten are also members of the Council who are sitting here today.

We try very hard to work only on topics which, because of the military and confidential nature, cannot be handled in a larger group such as the Council. We regard ourselves as advisers only to the Armed Service Petroleum Board. We try very hard not to provide a barricade between the services and individual companies. When there is anything that can be handled without committee action or consensus of opinion, we stay out of that, too, and encourage the Armed Services to go directly to the companies.

We have a network of committees established by appointment of the Chairman of the Armed Services Petroleum Board and the Director of the Oil and Gas Division, some 200 members, industry men. There have been a few from outside the industry. We have a Bureau of Mines man in connection with synthetic fuels. We went to the mine industry to be sure we were right about shale, and so it goes.

Two years ago Secretary Forrestal and Secretary

Royall said they were misinterpreted and misquoted at the time, and I am not trying to open up old sores, but what people thought we said was that we were two million barrels a day short of having enough oil to fight another war and supply the civilian population. It was about that that the Military Advisory Board and its committees was consulted by ASPD. That situation has changed. It has changed for a great number of reasons, starting in, it has changed because there is considerably more crude available than there used to be, as all these gentlemen out here know. So we have more raw material to work with.

Secondly, we didn't know what big capacity we had for our refiners until we were pressed with the supply situation. We are finding the refining capacities.

Thirdly, our own industry experts, statisticians and economists spread all over the country evaluated the question of how much petroleum was needed by civilians, first on an unrationed basis, and second on a reasonable or drastic ration basis in another war. We found that the civilian requirements were not as high as they had been estimated/

Finally, the military on re-evaluating their requirements reduced them.

So, I don't believe, and I told the Council the last time we were here we were two million barrels short at all.

We would have all kinds of trouble in a major war. We would have trouble with shortage of tankage. We would have trouble with transportation. We would have a lot of trouble if the enemy came over here and tried to mess up our gulf coast facilities. We will have trouble meeting the jet fuel requirements. We will have a lot of troubles that probably we have not been able to anticipate, but I do not believe it is fair to say that we can't fight another major war with the oil that we have available and know about it. I will make that broad statement, whether or not we include South America. We will have troubles, true enough.

That is the nature of the work that we have been doing. We continue to work on committees. We continue to do work over and over again. For instance, tomorrow we are going to re-evaluate the crude availability of the United States and the Western Hemisphere. We did it a year ago. We are going to look at it again. We are going to re-evaluate the civilian requirements. The military requirements are re-evaluated. We have committees that are working with the air services on grade specifications, quantity of aviation gas and jet fuel. We have a committee that is trying to evaluate the needs of the industry for steel in the event of another major war.

We have a series of committees spread over the

country that is trying to help the Armed Services Petroleum Board help the Munitions Board to determine where they would look for specifically jet fuel, low gas, Diesel, Navy special, and placing orders should another emergency come on us in a hurry.

Aside from that, we are doing a lot of small things that probably wouldn't interest you are the Council.

I thank you. (Applause)

CHAIRMAN HALLANAN: Mr. Carpenter, we have a committee of the Council which has been a continuing committee to keep active as a liaison with the military representatives. That committee has been headed by Colonel Drake, who unfortunately is not here. Mr. Howard Page is the Acting Chairman of the Committee, and we have had the benefit from month to month of the reports of that committee as to the current situation of meeting the demand. I would like at this time, if I may, Mr. Page, to ask you to present your report.

MR. HOWARD PAGE: Mr. Chairman, I have a report of which I believe there are copies for distribution. Attached to that is a statement of the requirements and firm commitments of the Armed Services for bulk petroleum products for January to June of this year. In total the commitments are 101 percent of the estimated requirements. That is, the commitments that have been made to date. However, in the

case of individual products it will be noted from the statement that commitments do not in every case equal or exceed the requirement estimates. There are two reasons for this. In some cases purchases in excess of requirements were made during the first half of the fiscal year. Secondly, in other cases the requirements of products have not yet become firm and commitments have been held up pending the determination of actual shipping requirements.

I wanted to mention that the Armed Services are like the rest of the United States: It is impossible to estimate exactly a year in advance what the requirements will be and the dates on which they will be lifted. So the fact that there are small differences between the stated requirements and the actual commitments is not in itself significant. It is to be emphasized that in no case is there any problem for lack of offers on the part of the industry.

Also, attached to this report is a statement of the estimated requirements for July to December 1949. The figures for January to June 1950, the estimated requirements are identical. In other words, the fiscal year 1950 has been estimated in total and broken down equally into the two parts. In total these estimated requirements are 3,778,000 barrels less than in the present period. This represents a decrease of 8.5 per cent. However, aviation requirements are higher by about two million barrels. These



new aviation requirements, while higher than the January-June 1949 period, are less grade by grade than the actual amount furnished by the industry in the July-December 1948 period. In other words, this is not a requirement that has not at some time been met at this rate by the industry.

Motor gasoline, Diesel and Navy special fuel oil requirements are all lower than at present.

It is the opinion of the Chairman of your committee and of the Armed Services petroleum purchasing agency that no problem will arise in obtaining these future requirements in a normal manner from industry sources.

Mr. Chairman, in view of the situation and as I understand it, the Armed Services instead of negotiating will send out four bids during the next fiscal year, it is the opinion of your Chairman and myself that there is no further purpose in this committee and it is suggested that it be discharged again.

CHAIRMAN HALLANAN: Gentlemen, you have heard the report, and pending its consideration by the Council, I should like to call on Colonel Kotula, who is the executive officer of the Armed Services Petroleum Purchasing Agency, to make any comment he feels pertinent in connection with this situation. (Applause)

COLONEL KOTULA: Gentlemen, may I state that it is always a pleasure for me to come over here and discuss the

military requirements with you. I say that despite the fact that until late yesterday afternoon I was quite confident that Admiral Foster would be over here and undertake this little presentation. Admiral Foster regrets very much that he can't be here. He had to attend a conference up in Pennsylvania this morning. So I was delegated to pinch-hit for him. It is not a difficult task because about the only thing I have on Admiral Foster is that I have a little more hair than Admiral Foster has.

In watching this thing develop over the past six months since last fall, I can't help but be impressed by the Change that has taken place since the September-October period. There has been quite a marked change, as you know. The purchasing agency, as indicated by Mr. Page, is having currently no difficulty in securing offers from industry to meet the military requirements. As he also indicated, we are going out on requests for bids and formal advertising in a number of cases instead of negotiating contracts as we did all last year. I hope that you gentlemen in your zeal to correct the short supply situation have not over-reached yourselves and now find yourselves with an over-supply from the industry standpoint. Of course, from the supply man's standpoint you appreciate that that represents more or less the ideal. We are quite happy at the moment.

So far as procurement activities for the balance

of this fiscal year, they are very nearly completed. There are some purchase activities going on. We are in the market now for a couple of cargoes of 100 octane aviation gasoline to balance out stocks incident to the transfer of certain military aviation units from one part of the country to the other.

We are also attempting to procure 100,000 barrels of low poured Diesel. When I say low poured Diesel, I mean minus 60 degrees for the purpose of re-supplying some of the northern operations during the ice-free season.

Shortly, in addition to that, we will go out with a request for bids - this may be of interest to you - a couple of million barrels of 80 octane for the purpose of bringing stock levels up in some of our newly acquired storage in the Continental United States.

However, in the main our requirements that we struggled with last fall and earlier in the year have been met one hundred per cent. There are little minor variations here and there. Mr. Page was very charitable when he said that the military couldn't estimate their requirements a year in advance. I would reduce that period slightly.

For the fiscal year 1950, and these figures may not jibe entirely with those Mr. Page gave you, although I am talking more or less in generalities and he was being relatively specific and breaking it down for the six months

period. The present indications are that our requirements for the coming fiscal year, that is the year beginning July 1, 1949, will be from 10 to 12 per cent lower than those for the present fiscal year. Motor gasoline, Diesel motor oil and heavy fuels account for the bulk of that reduction in volume. Actually our bulk fuel requirements, and these are round figures, dropped from approximately 90 million barrels down to 80 million barrels. So there is a 10 to 12 per cent reduction in the bulk fuel requirements.

To take up the individual items, in the aviation fuels we find that the total volume of aviation fuels is expected to remain essentially what it was during this current year. There has been a shift in the types of fuels within that total volume.

For example, the newer type planes are tending toward more 115, 145, and of course the additional jet planes we are getting will tend to increase the volume of jet fuel that the military will need. That is accompanied, however, by a corresponding reduction, so far as we can tell, in the 100 octane requirement.

In the motor gasoline, the demand for motor gasoline will be off 20 to 25 per cent over that of the current year. We anticipate that we will acquire between eight and nine million barrels during the coming year. A large part of this is due to the activation of refining capacity in some of the occupied

areas which will relieve the military of responsibility of taking care of the civilian economy in those areas. We anticipate that probably three-fourths of this motor gasoline, from 75 to 80 per cent of it, will be secured from U.S. sources.

Incidentally, I might mention that we hope to get all of the aviation gasoline from U.S. sources.

On the Diesel fuel, there again we find that the anticipated requirements are down about 25 per cent over the current year's estimate, to a total of about 12 million barrels for FI-50. About half of that probably will be secured from U. S. Sources.

In the heavy fuels, which again I am sure is a matter of some interest to you, the heavy fuel requirement is off some 10 or 12 per cent, too. That is mostly because of the fact of reduced activities on the part of some of the larger vessels in the Navy. We anticipate that the requirement will be somewhere in the neighborhood of 33 million barrels. That is, Navy special, with considerably over half of it to be secured from U. S. sources.

All of these requirements that I am speaking of, unfortunately, are exclusive of the regional requirements. The regional requirements, as you know, we have divided the country into six areas. We go out once each month to one of those particular areas, and it is almost impossible to get

a total picture of the military demand including requirements for the individual posts scattered throughout the country. They don't come up at the same time. They vary considerably with the location of posts. So I am referring here to bulk requirements and not to the fuel oil requirements of the motor gasoline which may be required in places like the military district of Washington or Fort Sill, Oklahoma, and places of that kind. In the aggregate it is a considerable volume of product that is required for those installations.

On the specification end, the agency has not too much to do with that, but we are working with the other interested agencies, principally the petroleum board, and the individual departments to see that duplications and minor differences in specifications of products used by the individual departments are ironed out.

In that connection, on 100 octane there has been a change, on 100 octane aviation fuel, to give you a little more latitude and to get away from the 10 percent aromatic requirement which has been in effect for some time. The specification has been revised to permit the fuel to be acceptable to the military provided it has the characteristics that are imparted to it by the additional aromatics. It is quite probable that in the not too far distant future the air force may relax that specification still further and get away from the requirement that it has of the swelling

characteristics.

We have a new specification on jet fuel which again will permit a considerably greater latitude on the part of the manufacturers, but the use of that fuel and the time when that fuel will be adopted is still a little indefinite. For the time being we will continue to procure the JP-1, which is the fuel that we have been getting for the past 18 months or so. Just when we will be able to switch entirely over to JP-3 depends on the progress that is made in the modification of the present jet planes.

That briefly is the picture. I think the only significant change in the requirements as I have indicated has been the trend toward the higher octane aviation fuels, the 115. That plus additional jet fuel. That, together with what I understand is a more or less parallel commercial aviation trend toward higher octane aviation fuels, and the problem that you gentlemen have in increasing the octane rating of your premium gasolines, seems to me to combine to present a somewhat greater demand. I think that may present a problem to industry. If the past performance of industry is any criterion, we of the military have no particular fears that you gentlemen will solve the problem, if there be a problem, and we will continue to be able to get our requirements without any particular difficulty.

Mr. Hallanan, if there are any questions any of

you would like to ask me about these things, I will as graciously as possible duck them.

CHAIRMAN HALLANAN: Are there any questions you want to address to Colonel Kotula?

Colonel, your remarks have been very interesting and very reassuring. We appreciate it very much. (Applause)

DR. WILSON: While Mr. Carpenter is still here, it seems to me there is a slight addition to Mr. Brown's report that might be made, unless I am out of date for some reason. One of the big reasons why the two million barrel shortage was talked about at any time--He mentioned a number of things that whittled it down. But as I recall it the biggest single thing that has made it an unrealistic view was that it was the requirements after we had been in war two or three years, and entirely neglected the amount of petroleum products that we could store up by a rationing beginning at the beginning of the war. That would tide over and take care of a great deal of that surplus demand assuming that we started rationing promptly. The thing I would like to emphasize, and I think all in the Armed Services must be conscious of the fact that that program of early rationing of civilian demand in order to make up for the tremendous requirements that would come if we had a two or three year war, toward the end of that period, if planes were built, is contingent upon the building of tankage



to be held in reserve. The industry couldn't possibly store appreciably more than it does at the present time. If we are going to take care of that, which is the best possible reserve supply for military, the tankage should be built in the near future. Now with steel requirements and other things easing, that can be done.

There is one question I would like to ask Colonel Cotulla and that is if the airlift ceases I presume the aviation fuel requirements would be substantially reduced?

COLONEL COTULLA: That is a matter of considerable interest of course in view of the headlines of the last day or so. The airlift is consuming now somewhere in the neighborhood of a quarter of a million barrels a month of aviation fuel, and if that activity is discontinued, then certainly there will be a material reduction in the aviation gasoline requirements for the air force. It won't mean the elimination of the entire requirement because those planes will be back to their more or less normal activities and they will still consume a certain amount of gasoline, but it will not be at the current rate.

In other words, we can anticipate a reduction in the consumption per month if the Berlin airlift is eliminated.

Does that answer your question?

DR. WILSON: Yes, thank you.

CHAIRMAN HALLANAN: Next on this general subject,

gentlemen, we also are privileged to have with us this morning Admiral Biggs, who is the executive officer of the Armed Services Petroleum Board, who will speak generally on the subject, but more specifically on the subject of military outlook and the impact of military specification. Admiral Biggs. (Applause)

ADMIRAL B. B. BIGGS (Executive Officer of the Armed Services Petroleum Board): In as much as I was mixed up in the Government's oil business rather thoroughly back in 1946, when the National Petroleum Council was going through a certain amount of growing pains and getting formed from its predecessor, the PIWC, it is a particular pleasure for me to come back and join the club, so to speak.

Of course, that I say with mixed emotions, because I received a letter from one Vice Admiral Carney when I was promoted which said, now you can give away your nice cushion job as chief of staff in the Service Forces, Pacific, and come back to Washington where you can work seven days a week and there isn't any whistle. At least I have not heard one for four years. That is my personal status.

As to the status of the NPC and the MPAD, I am delighted to see that this organization has grown up and taken what I consider its proper place in the Councils concerning petroleum and its products. Although I have been here only about seven weeks, that I can state without fear of contra-

diction has happened. I am sure that the Armed Services appreciates it.

I feel sure that this very profitable association will continue and improve and get better. As Colonel Cotulla said, if the past is any indication, we have very great things to look forward to.

About the time the Council was being formed, a number of us were pounding tables around Washington on the subject of jet fuel. It was new. It was like the first baby. It was really an event. In our JP-1 or kerosene type fuel we were informed of something we certainly should have known, that when you take a kerosene out out of a crude barrel, it isn't very wide. If you are going to depend upon that, you are going to get into trouble. So as things moved, December 12, 1947, we put out a tentative specification known as ANF-58, which we announced at the time was purely a procurement specification for development and research primarily. That ANF-58 has been in commission since that time.

As of the 30th of March 1949, we published a specification known as ANF-58-A, which is the superseder of the ANF-58. The thing that is particularly interesting in this particular fuel which we call JP-3 for short is that it is not a kerosene type. It is a gasoline type. You will note when you get the specification, if you have not already

received it, that the flash point is not there any longer, but that it does have a re-vapor pressure. Not being a technician, whatever that means, they tell me makes it a gasoline type of fuel. It has been variously published in the press and various other places that we were going to high octane fuel for jet engines, and naturally everybody in the military who knew anything about the procurement and availability said that is a great help to nobody in particular. So I would like to point out there is no octane requirement in this specification. I point that out for that specific purpose. We expect that this change in the jet fuel specification will give us a wider cut. We know it will give us a wider cut in the barrel of crude, but it will give us a wider cut in industry, the number of plants that we can use.

It has been optimistically predicted that the relationship between JP-1 and JP-3 has indicated by this change, the indicated availability, would be approximately 10 units of JP-3 to one unit of JP-1.

Gentlemen, I think here is the key to some of the difficulties that Mr. Bruce Brown pointed out, and you can depend upon it that the Armed Services are studying specifications in their technical division every day of the week trying to get specifications that will give you greater availability and not put quite so much strain on the industry

to produce some wierd and wonderful fuel. We hope that will continue, and we feel positive that with the cooperation of the National Petroleum Council and its companion piece, the Military Petroleum Advisory Board, that such things can and will be done. (Applause)

CHAIRMAN HALLANAN: Are there any questions that you would like to address to the Admiral?

Thank you very much, Admiral Biggs.

Gentlemen, the question before the Council at this time is the adoption of the report of Mr. Page's committee. He has moved in connection with the adoption of the report the discharge of the committee. You recall that at our last meeting there was some difference of opinion as to whether or not this committee should be further continued. I think the report that was presented this morning was reassuring enough that it certainly justified the continuance of the committee up to this time.

What is your pleasure?

MR. ROBERT E. FRIEDMAN (Assistant Director and Chief Counsel, Oil and Gas Division): May I make a statement? If you remember, at the last meeting I was one of those who asked the Council please to continue the committee. We didn't anticipate any trouble, but we wanted to be sure there wouldn't be any and we wanted to wait until it was quite clear that the situation was such that the military

need fear no difficulty in procuring products, either short term or in the rather near-term long term. I think the situation has changed now to a sufficient extent that the Oil and Gas Division is perfectly content to have the committee become inactive and be dis-established. We know that the personnel will be available if we need them, and we also realize that the Council wishes only temporary committees and therefore I withdraw the Oil and Gas Division's request for continuance. I would like to thank the committee for a remarkably good job on behalf of the Department of the Interior which had some of the responsibility for seeing that the military requirements were met.

I thank you.

(The motion was regularly seconded and was put to a vote and carried.)

CHAIRMAN HALLANAN: Mr. Page, your committee is finally discharged with thanks.

MR. PAGE: Thank you. (Applause)

CHAIRMAN HALLANAN: Gentlemen of the Council, when we last met here in January, it was at a time when a new administration was coming into existence, and the Secretary of the Interior I know at the moment was besieged from many standpoints, and we did not at that moment attempt to impose upon him by asking him to spend too much time with us, but as the succeeding months have passed, Mr. Secretary, we

are very happy to be able to say, as you well know, that there no longer is any great need for you to lose any sleep about the shortage of oil, the shortage of petroleum. There is no great human cry on the Hill for some immediate action to direct the activities of the petroleum industry. We think this industry has done a job which has met its public responsibility. Here this morning we have a fine attendance from all sections of the country. We have had the assurance from the military that they are entirely satisfied that they will be able to have their requirements met.

On the whole, we face a very bright picture from the standpoint of what this Council has attempted to put forth as the important matters in its agenda, that is, to meet its public responsibilities in relation to national security and the public welfare, which is the cornerstone of our existence. We are happy to have you here, Mr. Secretary, and I take great pleasure in presenting to you at this time, gentlemen, the Secretary of the Interior. (Applause)

THE HONORABLE JULIUS A. KRUG (Secretary of the Interior, Washington, D. C.): Mr. Chairman and Ladies and Gentlemen: Quite frankly, when Bob Friedman and I talked over this meeting during the last few weeks, I told Bob that I didn't plan on making any talk today at all, that I found out by bitter experience you didn't learn very much with your mouth open, and that in contrast I thought maybe I

could get you fellows to volunteer some ideas on some of the new problems that are confronting us. Bob thought maybe he would, although he pointed out to me that some of these problems are controversial in the industry itself and that the Council as a matter of policy had decided initially not to get into them, he thought it wouldn't do any harm for me to ask, so I planned to raise a few of those problems.

However, I learn this morning that there has been circulated to the Council an advance on a speech I was supposed to have made today. I don't know who was responsible for that circulation. I think the most political thing I can say about it is that it was quite uncalled for. In view of the fact that it has been circulated, I thought I would tell you again if you didn't understand when I told you last time that I don't agree on many points with the policy proposed by the Council, I don't, and perhaps at the right time and the right places we ought to take up those points of difference and see what we can do with them.

I think you will recall quite vividly that at least one of those points I discussed at some length the last time I met with you. I think you fellows don't feel hurt when I don't agree with you or when the Government doesn't. At the same time I think you know that I greatly value your frank, candid counsel and advice whether I agree with it or not. Certainly the point of view of the industry is one of the



most important things to take into account in developing national policy on the part of the Government. I hope we don't have any misunderstanding concerning what the Council has done in trying to help develop that policy or on the points of difference that are almost certain to arise when the Government tries to work out its own position regarding oil policies.

Enough on that.

I am very pleased that we have gone through this difficult period of shortage in petroleum. It has been demonstrated perhaps more vividly than the war itself just how important petroleum is in the American way of life. I don't have to tell you again how deeply appreciative every one in the Government is for the masterful job that the entire petroleum industry turned in in meeting that very critical situation. That problem, fortunately, united the efforts of practically every one, and I think we had few important differences. We found the right answer. Unfortunately, it seems, every time you lick one problem, you create another.

During the past two or three months I wouldn't say I have been deluged but I certainly have had a considerable amount of correspondence from people in the industry and on the outside who are worried about new phases that come up in our new situation.

I feel strongly, as I am sure that all of you do,

that this country must have a sound, healthy prosperous domestic petroleum industry. I note that a great many of the letters I have received express a rather considerable alarm that the factors in the present situation are making for uncertainties and are creating conditions, at least for some operators, that are very serious. It seems particularly true in the small independent producers, who feel that they have carried on a very large part of the industry's program of exploration and development, and now they feel squeezed by what is happening and what they think will happen in the months ahead.

Then on the other hand, we have a very pressing concern on the part of many people in Government, particularly in the military and security end of Government as to how best to provide the cushion of petroleum capacity that we will need should we encounter another emergency. That, too, is a very disturbing factor in some segments of the industry because it is naturally felt that if you are going to have two million barrels or so a day of capacity that you can turn on when you need it, what happens when that capacity exists when you don't need it?

Those are the two aspects of the problem. The important problem, of course, comes promptly to the forefront, and I have had numerous letters that are advocating action on the part of the Government to do something to stop imports

of petroleum into the country.

With respect to stabilization of the oil industry, I wonder if the Council would be able to or would be willing, rather, to offer any comments on what, if anything, the Government should do about the import of petroleum and what should the Government and the industry do to provide the extra capacity needed for an emergency without creating a situation in the industry that will demoralize confidence in its financial future.

Those are two problems that I would like your comment on. I appreciate, Walter, that they do present policy considerations to the Council.

The third, in a different category, is the one I raised with you last time. I don't have to say again that I am sure the President will remain firm in his position that tidelands oil belongs to the Federal Government, and if Congress passes any bill I am quite sure he will veto it if it means giving the tidelands to the States.

On the other hand, it appears equally probable that Congress may not act to give authority to the Federal Government administrative agencies to do anything about developing the tidelands. If that situation should mean no action in this Congress, we may have a substantial area of the tidelands tied up without any clear-cut way for future development, at least until Congress meets again and the matter

comes up again.

Are there any comments or words of wisdom, not getting into our basic differences to be resolved, that the Council would care to offer on what seems to me to be a probability, and this is the last time perhaps I will have a chance to talk to the Council before that day reaches us.

Those are three of the general policy questions that are on my desk. I had hoped that the new Secretary of Defense would come over here and express his personal opinion and concern about the second one I mentioned. He is also interested in the first one. But to me for the time I can spend with the Council today would be of greatest usefulness if the Council feels it can express a point of view, not as a Council, but as representatives of the vital segments of the industry, on any one or all three of these extremely important policy questions.

Walter, I will not feel offended if the Council feels it cannot discuss one or all of them, but if it can or if its members are in a position to offer any advice and counsel, I think it would be exceedingly helpful at this time.

I want to say again before I sit down that when we have these points of disagreement, let's not let them mar the basic relationship between the Council and the Government which I think has accomplished so much in a short period of

time.

Thank you very much. (Applause)

CHAIRMAN HALLANAN: Mr. Jacobsen.

MR. JACOBSEN: With regard to the question of the National Oil Policy, I should like to repeat what I said at the last meeting, namely, that we appreciate fully that when Secretary Krug asked us for an expression of our opinion regarding national oil policy, he didn't say to us, "Please express your views regarding the national oil policy to which we agree."

He gave us the fullest latitude. There were no strings attached to it. The Secretary simply said to us, "Everybody in Government is now writing national oil policies, and I think that the oil industry should have a shot at it, too. And I wish you would give us your views regarding national oil policy."

There were no strings attached to it at all. We knew perfectly well when we drafted the policy that (there) in respect to some of the points, and I mentioned specifically the tidelands, we did not express the view that the Secretary has. But we are not a bunch of yesmen and the Secretary knew it, and we gave him what he asked for, namely, a freely and frankly expressed policy, and I think we can promise the Secretary that we shall always do the same and we expect disagreement and that is perfectly all right. We get together

as reasonable people and hope we can settle them.

SECRETARY KRUG: That is exactly right, Mr. Jacobson. I agree to every word of that. I don't think any of us have any misunderstanding that you had assignment to develop for Uncle Sam his oil policy. You did develop the views of the industry as to what you thought sound policy should be.

MR. ROESER: Mr. Chairman, I am very glad the Secretary has seen fit to mention imports, an important problem on the agenda.

I feel that the excess of importation of crude oil in the last year and a half is more important to the nation today than your national oil policy or the other subject that you mentioned. We have gone from a position of shortage which I never believed in to one of oversupply of fuel oil for both domestic consumption and military forces. The program which is on today, and has been for the last year and a half, has brought into this country in excess of more than 350,000 barrels a day of crude oil. The statement was made by leaders of the larger units of the industry that the import of crude would be brought into this country only to supplement the production of domestic crude to meet the public requirements. That is a fine, sound, statesmanlike program, but they exceeded that program to the point that it was necessary for the State of Texas on January first to cut its production 700,000 barrels a day of crude oil. Other

states were affected in a smaller way. That cut back of 700,000 barrels a day in the State of Texas has created an economic situation for the State that is very serious. I refer to the gross production tax, which is there collected by the State, on that oil. If this condition is not cured, in my judgment the legislature of the State will impose upon the oil industry much heavier taxes than we have had in the past in order to meet that deficit.

In the long run, that will affect the importing companies first. As far as the economic situation is concerned, I think it will affect more adversely and cut down on the amount of oil brought in.

We had this same situation face us in 1934 and as well in 1931 and 1933 during the depression. I happen to have been one of the original members of the planning and coordinating committee at that time appointed by President Roosevelt. When this import situation came up before that committee, Secretary Ickes was here at that time, and he requested that committee, the Planning and Coordinating Committee, to appoint a subcommittee to go into the matter of excessive imports which were detrimental to the national economy at that time.

That committee met under Government sanction and worked out a program whereby the importation of crude oil was kept within a reasonable amount for the period of 1934 until

the second world war started. After the second world war was over, the companies which were participants in that entered what was called a gentleman's agreement under Government sanction and forgot that program. In the last two years we have seen our stocks of crude oil grow from 212 million barrels, on which we fought a successful war, to 267 million barrels. If this condition continues, if this excessive importation of crude oil continues, in my judgment it will impair, in fact it will destroy, the ability of the producing end of this industry to make the United States self-sufficient in time of another war. If that happens, and I say it for this reason; In dollars and cents excessive importation of crude oil last year took away approximately 200 million dollars from the producing end of the industry, which it badly needs at this time not only to explore for new reserves but to develop those reserves already discovered. I feel at this time it would be a grand thing in view of our national security and to build the industry, to have the import question go into a round-the-table discussion in this conference and to report back to the Secretary on what can be done to correct that matter at this time.

I thank you.

CHAIRMAN HALLANAN: Gentlemen, Secretary Krug has been very frank and forthright in asking for individual expressions from the members of the Council on these matters. It seems to



be very close to him in connection with the oil situation. I hope that you will feel completely free to discuss the situation in the light that it appears <sup>to</sup> ~~on~~ you and that you may feel that the council is appreciative of his coming here to invite our discussion and cooperation and suggestions.

Mr. Duke?

MR. DUKE: Mr. Chairman, my friend, Charles Keeser, in front of me, is an independent and we are an independent. I take the liberty to talk today because the Chairman of the National Oil Jobbers Council, of which I am only a member, is not present, I believe. Yet, as ~~marketers~~, we sometimes find ourselves, in spite of being an independent, of a different point of view from the independent producer, all in the spirit of never having any personal animosity toward those who have a different point of view than we do and hoping that they in turn have no animosity toward our different point of view and our right to express it.

We do not like to try to engage in any discussion about the level of prices within the industry, but as marketers we are concerned, first with an adequate supply of oil to the market and at a level of price that doesn't put us out of business. I say if we were producers we might have a little different point of view, but I wouldn't want this opportunity to go by, not to leave it with Secretary Krug, for that is not my purpose in standing on my feet, to

express, I believe, the general thought of some large number of oil jobbers that have some concern over blocking out imports even to the extent that it merely supplement domestic production. If it should have some leveling effect on the price structure down to the point that it did not jeopardize our domestic industry, we would like to see the subject gone into. I want to emphasize I am not stating any official position of the jobber group, but, rather, the understood position that I believe will certainly be developed very conclusively when and if a study is made and my point this morning is that our field is a little different from the independent producer, very obviously, and we would like to be on any study committee that works on the problem. We would like to see it studied.

CHAIRMAN HALLANAN: Mr. Brown?

MR. BRUCE BROWN: Mr. Chairman, I have given considerable thought to this question, as you may have gathered, and I appreciate very greatly the frankness with which the Secretary has approached what to us is a very serious question. I think it is a serious question for the nation. I would like to mention, Mr. Secretary, I appreciate the letter you wrote to Senator Connally on the subject which gave him a very good view.

Here, as I see it, is the problem that confronts us as oil men in the United States: As Mr. <sup>R</sup>oeser pointed out,

there was a policy set up by the Congress some years ago and then later that was implemented by agreements within the industry under Secretary Ickes. It may be that that is what we are approaching now. I am not sure. Certainly, we have reached the point where it is necessary in my judgment for some means to be given for a government policy so that the importers may understand that and foreign countries as well may understand it.

I say it for this reason: Today we have outside of the United States, regardless of our own production, a producing capacity of 250,000 barrels a day, ~~outside of the United States~~, in excess of the demand outside of the United States. That oil is going to be seeking an outlet or a market some place. That is saying nothing about the 750,000 excess which we have recognized here in the United States.

I am afraid we will not solve that until the importing companies who have the feeling that they have been encouraged to import oil - probably they were during times of necessity, and therefore they have relied on that encouragement and have built up import capacity here that is far beyond our present requirements. That must be faced, or else we are going to be flooded in this country with a very serious supply problem in the sense of needing a constructive approach.

For that reason, if the Secretary is willing to

submit it to the Council, I would like to see the Council look at this realistically and try to give back to the Government, to the Secretary, what we think is an intelligent approach to this problem. While I am satisfied with the expression on imports in the national oil policy, I am afraid it goes beyond that. The National Oil Policy is subscribed to by those American people who are here. We may be tomorrow confronted with the necessity of dealing with people who are not subscribers to that, and who feel that they are encouraged to bring that oil into this country. I think they are entitled to know as early as possible what our Government's views are on that. If we can get a definite statement, I think it will go far toward solving this thing within our own ranks.

Of course, that contemplates an association of ideas with the Government itself. I hope you will respond to the request.

CHAIRMAN HALLANAN: Dr. Wilson?

DR. WILSON: Mr. Chairman, at the risk of repeating some things that Mr. Brown and I mentioned before the Secretary came in, I would like to refer to the two million barrel figure which I see the Secretary used again, and which we had already knocked the spots off of pretty much before you came in. I assume you refer to the statement that has been made in certain quarters that in the event of a war we would be

about two million barrels a day short of what we needed.

SECRETARY KRUG: I don't say we will be that much short of what we need. I say we will need that much to run the war.

DR. WILSON: You need two million barrels. That is quite a different figure and probably I wouldn't have any quarrel with that figure. I was afraid you were referring to the other.

CHAIRMAN HALLANAN: I think you should develop the point, though.

DR. WILSON: The figure as I understand it, Mr. Brown can correct me if this is not correct, as I understand it, that was the difference between our requirement in the third or fourth year of a full all-out war, estimated a year ago, and the capacity of the industry to produce after taking care of the civilian needs. In the first place, it was a figure based on conditions quite different from those at present, which shrinks it both from the standpoint of the military estimates being somewhat lower and the oil industry estimates being somewhat lower and the oil industry estimates being substantially higher, both as to production and refining at that time. But the most important factor, which made it always an unrealistic figure, is that it made no allowance for the fact that in the first two years of any war, and particularly the first year, the military requirements would

be far less than the ability of the industry to produce, assuming we went into rationing right away. The one thing that the committee and I believe the Council has recommended is that in order to help fuel that war we don't need any great amount of stockpiling but we do need the armed services to build a substantial amount of storage so we can start rationing promptly on the advent of war, long before the armed services use it, and have a place to put the oil that the industry can make and thus take care of this big demand that will come on in the second, third and fourth year of the war.

To my mind, that is a far better use of steel and a far, far more economical program than to build a large scale plants and other things that have been suggested. It will give us cheaper oil for the armed services and exactly the kind we want and not be gambling on incompletely developed processes and things of that kind.

SECRETARY KRUG: Dr. Wilson, do your studies indicate how much storage would be desirable under the proposed fueling needs of a war and how much these storage facilities would cost?

MR. BRUCE K. BROWN: We are getting pretty far into military planning, Mr. Secretary.

SECRETARY KRUG: I don't want any detailed figures on it.

MR. BRUCE K. BROWN: I can concur in what Dr. Wilson

said. In fact, I made a speech before you got here on the subject. To try to give you a brief answer of the thinking of your military board, as we have developed it to date, it would go something like this:

The National Petroleum Council recently provided an estimated total tankage available in the United States which as I recall was 800 million barrels, which got us into some trouble, incidentally, with Senator Wherry's group, because if we have 800 million barrels of storage and we need only six million barrels a day of products, why don't we have 100 days of storage and everybody knows we don't for various reasons, such as the necessity of keeping tanks 25 per cent full and not more than 75 per cent, and the great diversity of products, the fact that part of that tank situation for crude and products, and part of it is terminals and part of it is a long the line.

There are two things we have talked about. Dr. Wilson has alluded to both of them and I would like to separate them. One of them is, as you know, our military board has recommended to the services and the services are trying to act on it within the limits of their funds, the building of service-owned storage, exclusively for the services for what we call strategic storage, in order to give the forces in being and the forces that can be mobilized in a few months a good start on oil. That is separate from stock-

piling. That is an entirely different conception. While you can get as many figures as you have experts in the deal, that amount of storage would be somewhere between 50 million barrels at the least to 100 million barrels probably at the most.

When you get over to the question of rationing early in a major war and storing the product, which is what Dr. Wilson was talking about and some things that our committee has been thinking and recommending, we do need tanks for it. Of course we couldn't possibly build enough tanks to store a year's supply of oil for our country. That is obvious when we run on 40 days' supply, but there are things that can be done to compromise it in connection with a rationing program if we had to put it in.

We not only should build tanks as a backlog against a war. Dr. Wilson said it and I won't repeat it. There is something else we have got to do if we come to war again. It is going to be very unpleasant for the industry, but it is going to mean a lot of storage. That is that we have to simplify our storage. We have got to quit having 59 different products and grades of this and that. Immediately, if you take two, 100,000 barrel tanks, any place and they have two products in them, then your effective storage is only 100,000 barrels. Because neither of those can hold less than 25 nor more than 75 and still work. But if you use the two



tanks for the same product, you immediately augment your storage.

I don't want to go any further in detail here at the minute because I would only bore the group, but this war if we do go into it again will be plenty tough and I think I emphasized that when I talked before. But there are, things we can do with the 800 million barrels of storage that we have got plus the storage that we ought to build, which Mr. Wilson was talking about plus the strategic storage that the armed services are already convinced that they ought to build, that would permit us to store quite a lot of useful products in the early days of a conflict.

So that somebody else won't say it, I say I admit the political aspect of that. I admit thoroughly that you can't ration at all unless you have the country behind you. So perhaps the largest factor of all in the thing that we are talking about is whether we can convince the citizens of the necessity of rationing early in a conflict.

SECRETARY KRUG: I don't want to prolong the discussion of military planning for fueling a war, but I hope you are not making plans on everything such as having all this oil stored above ground with the expectation that it be there when you need it?

MR. BRUCE K. BROWN: You mean where people can see it?

MR. WARREN: I appreciate what the Secretary had to say and I think we all agree that his second point is the most important of all, and that is this cushion for war. That goes into the ability of the wells to produce. It doesn't make any difference what the reserve is if they can not produce it today. I think the industry should have from the Interior Department and from the military forces the information on how much oil they will need in the first three months, the first six months, and the first year, and not only how much, but where. It is foolish to produce on the Gulf Coast and have to send it to California, or vice versa.

Then from those figures we can start to find where we need the development, how much we need, and to hold that ability to produce in reserve and create the ability to produce, even if it necessitates the absolute embargo on any importation because we must have the ability to produce in the United States. It isn't even good enough to have the ability to produce in South America or Central America. It must be right here in the United States. If it takes an absolute embargo on imports to create that ability to produce, we should place that embargo on imports.

CHAIRMAN HALLANAN: Mr. Baker?

MR. BAKER: Mr. Warren is striking at part of the observations that I was going to make. Mr. Brown refers to

the matter of storage in the early stages of a war of products that may be needed immediately, but the industry has long since learned that storage above ground is generally not a very good way to store oil, that the best place to store it is under ground. At the beginning of the last war we had the capacity in this country because of the conservation methods that were employed, limiting production to market demand, to produce within the maximum efficient rates approximately one million barrels of oil a day more than the current demand for oil in the country. We were able, by stepping up our production within those maximum efficient rates, to meet the nation's needs for oil in that emergency. That is a situation toward which we should work again and toward which we are making a great deal of progress. We now have within three years after the close of the war in this country an ability again to produce 800,000 barrels a day more than the current market demand, and to produce it within the maximum efficient rates of production in our developed fields. That, I think, is the strongest method of preparation that we have. It gives us a backlog of resources upon which we are able to call when the emergency arrives. It is, I think, a great commentary upon the achievements of the industry and the conservation agencies of the states in evolving the methods of conservation that we have evolved over the last 20 years. It would give us the basis for successfully defending the country in

later emergencies.

SECRETARY KRUG: When you talk about the 800,000 barrels a day, are you relating it to the current drain which I think is going something like 800,000 barrels a day, or are you comparing with the peak we had last year?

MR. BAKER: I am comparing it with the present demand.

SECRETARY KRUG: So it goes back to the 5,600,000, and it is a capacity of 500,000.

MR. BAKER: Two to four hundred thousand I would say we would have under those conditions. At any rate, we are rapidly building a reserve through the methods of exploration, and the extent of exploration that is going on. I think that is the great hope for our national defense, in carrying on that kind of program.

CHAIRMAN HALLANAN: Mr. Pyles?

MR. PYLES: Mr. Secretary, I have a matter that I would like to call to your attention: It isn't one of the three that has been under discussion, but this morning I presented a letter to our Chairman calling to the Council's attention a proposed Mexican loan of \$200 million. I read a statement, a press release by the President, where he stated that he would look with favor on this loan to Mexico if the heads of certain departments in Government would be favorable toward it. I am assuming that he had you in mind when he made that

statement. You have heard, I am sure, discussion about our present ability to produce crude oil in an endeavor to keep a healthy, sound, aggressive industry. I, as an independent oil man, do not consider that it is appropriate to make a loan to Mexico at any time, and particularly at this time I think it would be most unwise.

I don't think it is necessary to call to your attention that should our government be foolish enough to make a loan to Mexico, I don't believe that we would ever get repayment of the loan. Secondly, I think the Mexican government would turn around and use that to cut our own throats in this country; that if such a loan were made, would there be any reason why Brazil and Chile, Argentina and other countries in the Western Hemisphere would not come to this Government, having established a precedent, and ask for a large loan to go in the oil business to put us out of the oil business?

Such a thing as this could flow on to railroads and many other industries that exist in this country if our Government starts in to financing other governments to the detriment of our own industry.

I would like, if you care to, you to express your opinion on that subject. I thank you.

SECRETARY KRUG: I was not consulted on it, Mr. Pyles. I would like to have the views of the Council, if there are any other views on the subject. I am quite sure I will

be consulted before the President takes any action.

DR. WILSON: I agree entirely with Mr. Pyles.

MR. HILL: Mr. Chairman, I think we have a discussion here that is perfectly appropriate when we each speak for ourselves.

Mr. Secretary, I am wondering if these are questions that you would want to submit to the Council and have the Council act upon as a body by report?

SECRETARY KRUG: Frankly, I wanted to get the benefit of this discussion to decide that very thing. I think the discussion has been most helpful in bringing out the point of view of various members of the Council. I appreciate that these fellows are not speaking for the Council.

MR. HILL: I would like to speak to one or two points, but not conceding the propriety of the Council its acting as such, in dealing with the question. There might be some legal questions there that both you and the Council would wish to avoid.

I think on the question of imports we have really answered that in principle. You can only import what can come in here and be consumed or stored, and that is what has happened. Room has been made for the excess imports by the restraint of domestic production. We have a policy which we all agree to, and that is that imports should only supplement domestic production. Enlightened observance of that

would take care of that situation by those six or eight companies involved.

MR. PECK: Mr. Secretary, I have a suggestion for this committee that the Council is considering setting up. Through the public meeting with all these gasoline stations there seem to be three questions that the Council may consider answering for the public. There probably are good answers to these, but we have not got them. Referring to the importation of oil, the public wants to know why we should stop importation because they feel that we are balancing on the brink of war and if war starts we won't be able to import any more. I think they have the impression generally, without further explanation to them, that we should continue importing while we still have the chance to import and preserve the resources in this country.

Another thing, regarding cut backs. The public wonders why it is that we are cutting back production through the various state allocations committees instead of reducing the price of cut-back production. There is probably a good answer to those questions, but we haven't the ready answers when the public asks us about them. I think that the dissemination of information along those lines would cause the public to look at the thing in a different light. It may not seem important, but where you are contacting the public and they say we read in the papers where they are asking for the

importation of oil from Europe and Saudi Arabia to be discontinued, I think we should get all we can while the getting is good. That is the average public viewpoint.

The question is, I see where they have cut back production. The argument is that it costs more to produce. Yet they say we read of these great profits. We don't have the answers for the public. I think through the service stations of the public where we meet the public constantly, if we had those answers, it might be very helpful to the industry in general.

I thank you.

CHAIRMAN HALLANAN: Mr. Majewski?

MR. MAJEWSKI: I think we would be remiss if we didn't take full advantage of the Secretary's suggestion on imports. I think we talk entirely too much about this question of imports in the public forum. I am gratified at what the Secretary did suggest. I don't know what the Chairman of the agenda committee had in mind and I didn't hear everything he said, but I think if this Council fails to encourage the Secretary to submit the question of imports to the Council in writing according to our rules and regulations, we will not be acting in the public interest, and I think that in spite of what you want to say, we ought to consider it carefully before we docket it, we should docket it, and we should give our views just as frankly and giving



representation to these people, everybody who wants to be on the committee. I don't want to be on that committee, but I will be making my views known to the members of that committee.

I think Charlie <sup>R</sup>oeser's statement following the Secretary's suggestion should be acted upon. The committee should be appointed, a study should be made, and we give a vote of thanks to the Secretary for suggesting it. Instead of going out into the public minds with a controversial subject, this is the place to settle it with the Government people asking us for our views.

MR. JONES: I think the Chairman of the Agenda Committee has appropriately raised the question as to the propriety at this time of appointing a committee of the Council. I heartily subscribe to what Barney has said and what Charlie Roeser has said on the importance of this question of imports of oil. It is the most complicated and involved question that I think has ever been brought before this Council. The Committee on Oil Policy, as Mr. Jacobsen said, tried to put together a set of principles and submit it to Mr. Krug as the best expression we could get of the representatives of this Council as to what a sound national oil policy should provide for. It isn't perfect by any means. It is not implemented by the machinery to come to grips with this question of over-production which now faces the country.

This thing is so complicated that I doubt that the Council is competent even to discuss it intelligently until they have had laid before them a lot more facts than they have now. I am sure that none of the large importers of oil, or the larger potential importers of oil, are at all interested in destroying the economy of the oil business of the United States. I am also certain that it will behoove this country and our government to try to see to it that, as far as we can, we secure and protect the reserves of oil that can be called upon, whether within or without the country, in time of war. We don't have to be reminded that military experts told us toward the close of the war that more than 60 per cent of the total tonnage of shipments overseas in the last war was petroleum products in some form. What the next war will bring in mechanization or lack of it, or what changes will come about before the curtain rises, we don't all know. Certain it is that war can't<sup>o</sup> be fought as we know it today without petroleum and a lot of it. It is ~~possible~~ *well* to be remembered, too, that without a million barrels of production close to our borders but outside the borders of the United States, we would have had difficulty in fueling the last war. We were not self-sufficient petroleum-wise in the last part of the last war. We drew upon Venezuela and other nearby countries for approximately a million barrels a day, and we needed every barrel of it. <sup>I</sup> That on top of severe rationing

in this country.

This thing is so involved and so complicated that I would suggest that we not get too far and too firm in our convictions here without a most careful study. I am not sure what the Agenda Committee will say when they examine it, whether the legalities are so involved and complicated and serious that this Council should not consider it, but I do think if the Agenda Committee arrives at that conclusion, the Secretary of the Interior should appoint a committee of his own from the oil industry, representative of the various segments of the oil industry, who have a great interest in the question of imports and the proper balance of supply and demand in this country and the appropriate development of the oil resources of this country. If <sup>it</sup> this is not sound, that the Council undertake to go into that, I think such a committee ought to get to work on it right away, because this question is one of growing importance. Already we are seeing criticisms beginning to fly back and forth in the business. They have been tempered by the fact that during the period of the war, oil men got to know each other and to believe for the most part that we all were not to be distrusted. I mean we looked each other in the face and called each other names (and this and that), but by and large came out of the war with a little more respect for other oil men.

If this over-production situation continues, if this cutting back of oil continues without a definite and clear explanation, not only to men outside our industry but inside our industry, we will go back again into the question of chaos which will tear this industry apart, and that is not good. It is not good for anybody. So I suggest, sir, that we not get too <sup>//</sup> hot up <sup>//</sup> in this Council yet on the subject until we get some more facts and that, as early as possible, <sup>we</sup> constitute a committee inside or outside the Council to come to grips with this very serious problem. I think it is the most serious thing we <sup>have</sup> had to face up to now.

CHAIRMAN HALLANAN: Mr. Jones, the fact that that might precipitate some controversial discussion is no reason why the Council should not consider it. Certainly we have had controversial matters before.

MR. JONES: I understand that, but there may be some reason that your Agenda Committee would advance, maybe soundly, that the Council is not the appropriate place to come to grips with this thing.

CHAIRMAN HALLANAN: The secretary has advised me that I must leave immediately and I regret the necessity of discontinuing the discussion on these matters. I do wish to call your attention to the fact that he has opened up for discussion three situations, first, the matter of imports; secondly, the matter of how we could get an adequate cushion and stabilize

the situation; and, thirdly, he has called attention to the possible deadlock that may exist in connection with any legislation having to do with the development of the tidelands.

He has had comments on the first subject and comments as to the second. Up to this time there has been no comment whatever or any suggestion from anyone as to what might be done, if anything, to break the deadlock that apparently exists at the moment on the tidelands situation, and I know that he would be glad to hear any comment on it.

SECRETARY KRUG: Mr. Chairman, I regret I am going to have to leave. I do hope if there are any ideas they will get in this record so that I can talk to Mr. Friedman about them, and perhaps talk to you again sometime. This has been a very helpful discussion to me. I want to give some thought and talk over with your Chairman the import problem and what we might do about it. I think Bruce Brown's committee has the second problem well in hand and I was just trying to tie them together because I think they are related.

If, on the third problem any one has any brilliant ideas, I would very much appreciate having them developed. I enjoyed this chance to meet with you. For me this meeting I think has been more helpful than any I have attended.

Thank you very much (Applause).

CHAIRMAN HALLANAN: Gentlemen, one of the major problems that the oil industry has had to face in recent months

has been the development of the economic cooperative administration, and the part that oil has played in that has been very prominent. I asked, in view of the general interest in what was going on in the ECA, Mr. Walter Levy to be with us this morning to give us an outline of the situation that may be developing there and the observations he has made in connection with it, and also to permit any questions that may arise from his discussion and presentation of this problem.

Mr. Levy has had a very unusual job to do. I know that we all have the greatest confidence in his approach to that job and his desire to keep the administration on a high and unavailing basis.

Mr. Levy, we are happy to have you here. Gentlemen, Mr. Walter Levy, Petroleum Administrator of the Economic Cooperative Administration. (Applause)

(Mr. Walter J. Levy, Consultant, Petroleum Branch, Economic Cooperation Administration, read his prepared address, during the course of which he interpolated as follows:)

It should also be important to insure American companies against unfair competition, especially as in many cases by a country by switching from an American to un-American oil. The real dollar savings are very small because to produce British oil also requires a lot of dollars for royalties, equipment, services and what have you. It should be possible to maintain in Europe, in spite of the currency difficulties,

a market for specialty products which cannot easily be met by the local output of refined products in Europe.

On the other hand, it cannot be denied that a sizeable and healthy expansion of the European refining industry which may mean fewer exports of finished American products to Europe is essential and desirable. The fact that trade patterns will change so that some suppliers gain markets while others lose markets is not necessarily a national disaster. It is also not necessarily a national disaster if Western Hemisphere exports to Europe decline at the same time that Middle Eastern exports to Europe go out. It would be a national disaster if Europe at the end of the Marshall Plan period after the U. S. taxpayer had spent \$15 or \$17 billion on recovery, if Europe at the end of that period would still be in as helpless and exposed a position as it is today.

It is often charged that ECA is responsible for the problems that are facing our export industry, and that without ECA the American exporter would have been so much better off. Obviously, a directly opposite point of view is correct because whatever way you may look at it, the dollars ECA spends must come home to the United States. They represent goods produced here and they represent shipments made from here. These dollars without ECA, without the decision of Congress to spend this money would not have created

employment and exports over here. Many of the most important oil markets of Europe, when I started my work a year ago, had completely exhausted the foreign exchange resources and they were living on a day-to-day or hand-to-mouth basis. The oil trade without the expenditure of money through ECA, the oil trade in Europe would have been shot to pieces last year, when ECA started its operations on April 3. And in a situation like that, there would have been no alternative for the British but to expand and to expand and to expand their own oil industry in order to take care of all the markets of the world where American oil could no longer be sold, and in order to earn as many dollars as fast as possible through the expansion of oil developments.

You know better, perhaps, than I do, that if you develop oil resources as rich as they are available to the British in the Western Hemisphere and the Middle East, a reasonably small expenditure of money yields results in the annual value of the output as fast or faster than any other industry that is known.

It is further charged that ECA creates problems by supporting oil developments in Europe and overseas. Here, too, I feel very strongly that the charge is not justified. ECA attempts to have Europe to achieve recovery by the only way through recovery can be achieved and that is increased production, increased exports. Only if the American people



would decide that they wanted to make continuous dollar grants to Europe over an indefinite period, only then would it be necessary to insist that during the three or four years of ECA aid Europe increases its production in line with normal and reasonable market expectations. We are committed to have European recovery by the end of 1952. Increased production in Europe and more dollar exports from Europe are essential. If that is not achieved, the reverse will set in, which is that Europe would import less from the United States, the standard of living would go down, and there would be political implications probably of very serious magnitude.

But even though we must have Europe to improve itself in dollar balance in order to help it to achieve recovery within the next three years, vital United States interests are at stake, and the mere dollar savings approach as far as oil is concerned would not be justified and would be too narrow.

As far as oil is concerned, we have considered our job not only merely a dollar-saving operation. Some sacrifices may be required, but it is imperative and we feel very strongly about that, that no vital interests of the United States be jeopardized through the operations of ECA and that only legitimate commercial interests would be hurt unnecessarily. We believe that the oil industry will ride this storm as it has ridden many others. Everything will not and perhaps should not go its way, but everything will not go

against it, either. Europe will undoubtedly increase its refining capacity and its overseas production, and Europe will also find it easier to trade in sterling rather than in dollars. Sterling oil for some time to come will be obviously sold easier than dollar oil. That is the price we have to pay for operating in a strong currency, but I guess we all would pay it gladly. It is also the price we have to pay for not living in an economy where currencies are completely controlled, what you are told what you can do with your products, where you have to ship them and where you have no right to ship them.

These are some of the problems with which we were faced during our first year of operations. ECA will soon enter its second year. During the year, the consumption in Europe is estimated to go up only slightly, from 46.9 million tons, or about 900,000 barrels a day, to 48.7 million tons, or about 980,000 barrels a day. Imports will rise correspondingly, and half of the imports will consist of crude oil as compared with a little more than a third of a smaller quantity in 1938

Dollar oil imports have been estimated at about 28 million tons, or 41 per cent of the total imports. The percentage is slightly below the percent of last year, and considerably below the percent of 1947, when Europe's oil industry was still devastated and was not able to supply all

the needs of the markets. However, in spite of the declining percentage of dollar oil in European markets, the absolute quantities are still increasing.

The value of total dollar oil imports for fiscal 1949 has been estimated at \$594 million, and for fiscal 1950 at about \$562 million, a decline largely due to the increased share of crude oil in the total.

There is no doubt that all the dollar oil that will be needed will be available and that more could be available if Europe were really to need it.

The equipment program of the European countries provides for refining capacity in Europe in fiscal 1950 of about 35 million tons or about 700,000 barrels.

(Mr. Levy continued reading his address to the end.)

CHAIRMAN HALLANA: Mr. Levy, we are very grateful to you for that comprehensive and interesting report. Are there any questions, gentlemen, that you would like to propound to Mr. Levy in connection with this ECA matter?

MR. JACOBSEN: Yes, I would like to raise this question. Without quarrelling with the general idea of helping Europe. It may be largely a matter of degree. I want to raise the question of whether ECA is perhaps not, due to the fact that oil is such an excellent source of dollar exchange, going too far and placing the European oil industry in the position, at the expense of the American taxpayer,

where just a few years down the road it will cause tremendous harm to the American oil industry, not only a broad but in this country as well. By way of a very simple illustration, I would put it this way: As I understand the whole ECA program, it is one of rehabilitating Europe for European recovery restoration, or words which imply that we want to put Europe back where she was. Here is a man in Europe who has a nice little five-room house, and the house was destroyed in the war.. Then we say, that is a shame, and we ought to help you. We will fix you up. We will restore your house. But we don't build him a nice little five-room house. We build him a 30-room mansion instead of it.

My feeling is that there is a very great deal of that in the ECA program, that instead of limiting - and I am speaking solely from the oil industry viewpoint, that instead of giving Europe the minimum necessary to help her more or less get on her feet oil-wise, we are giving her so much that we are really placing them in a preferred position as against the American companies who have to operate abroad at their own expense.

MR. LEVY: Let me answer that this way, Mr. Jacobson: Europe at the moment, as I stated, earns about one billion dollars by shipment of goods to the United States. If Europe should do else but finance its oil imports with what it earns by the export of goods to the United States,

it would have to spend about \$600 million of the billion dollars. That is of course a completely impossible position for Europe to be in because as you know Europe needs a great deal of things from the Western Hemisphere. The war, price increases, decline in productivity, the Iron Curtain, the problems of East-West trade have all led to the situation where 60 per cent of European imports from the current situation would go into oil imports.

What can be done about it? We can either say, "Europe, you must cut back your imports from the Western Hemisphere to a figure of a billion dollars." That would be an impossible situation. There would have been no need for any American aid, ECA or anything else. The next thing we can say is let Europe export more to the United States. That creates a lot of problems. If Europe were to try to export oil, I know it would create problems here. If Europe were to try to export other goods, machinery, it would create problems with other groups.

Therefore, we strongly believe that Europe must increase its exports to the Western Hemisphere if it wants to recover, but there are large powerful groups who don't like that idea particularly. The third alternative is to continue subsidizing them because, as I said before, on the level of a billion dollars worth of trade exchange between Europe and the Western Hemisphere, our very powerful American

companies wouldn't be able to maintain their production, and the result of what you fear would happen through ECA two or three years hence would have happened last year.

MR. JACOBSEN: I don't think it would because they wouldn't have had the resources wherewith to do it. It seems to me, as I said a moment ago, that it is largely a matter of degree. We are giving Europe not the minimum needs of oil facilities in the way of refineries and helping her production and so on, but we are giving them so much that they will actually hurt the American industry far more than would have happened in any other event.

Or put it the other way, that in helping to put Europe on her feet, the ECA is letting the oil industry pay more than its fair share of it by placing the European countries in a preferred position by letting them construct at the expense of the American taxpayer ultramodern refineries and develop new production not merely in the Middle East, but elsewhere.

As I understand, they are expanding their productive capacity in South America and are looking forward to it in Africa and God knows where else, all at our expense.

MR. LEVY: Let me say, that we have not financed a single ECA dollar for petroleum equipment anywhere, except I think a million dollars or so.

MR. JACOBSEN: Neither refining or production?

MR. LEVY: None whatsoever. I think one or two million has gone into some production effort in France. There is not a single ECA dollar that has been spent on equipment, that is the first statement.

MR. JACOBSEN: But you have \$600 million down there for it, haven't you?

MR. LEVY: We have requested \$530 million, of which \$380 million would be theirs--\$200 million would be the dollar request. The other would be in neutral currency. Of the \$200 million we have cut it back to \$100 million. The 200 has been cut back in our program to 100. Up to now we have not spent a single dollar for <sup>any</sup> equipment plan.

Let's look a little further into that. When the ECA was up before the appropriations committee last year and it looked for some time as if funds would be cut drastically or as if there might be no funds, all the European countries prepared an emergency program in case there would be no ECA. The first thing the countries did in Europe, all of them, was to cut out dollar oil to the bone. The second thing they did was, they said Great Britain, for instance, has about a billion dollars income from its own shipments, six to eight hundred million dollars current income, and they have \$2 billion or so or reserve. But Great Britain decided when this was a danger that there would be no ECA aid that we have to take over the complete supply

responsibility for all dollar oil in Europe. I think I quoted the figures a few months ago, an investment of about \$2 billion dollars in British oil facilities would have led to an increase in the annual value of British oil by one billion dollars. There are very few investments where you can increase the annual value of your output by 50 per cent of your investment. That investment could have been made in about three or four years.

That was an emergency plan. It was our ECA. What ECA in my judgment has done is that it has tempered these plans. What you are fighting against, Mr. Jacobsen, and what we are fighting against is a dilemma, a dilemma. The American oil industry is in a disadvantageous position, there is no doubt about it, but it is in a disadvantageous position because it happens to trade in dollars and can't trade in drachma or crowns or any of the currencies which would allow countries which have not got dollars to purchase. You can't get away from it. You can't get away from the fact that Europe at present earns a billion dollars by merchandise exports and that the dollar shipments to Europe would eat up \$600 million of this one billion dollars. There would be \$400 million left for all other exports from the United States.

As I said to you before, we have not approved any program. I went to Paris in December and talked to the OEC and told them that we would not approve anything but a



rational integrated program which was in line with the market expectations of the British companies and which was in line with the dollar expectations of the British companies.

MR. JACOBSEN: The market expectations of the British companies would involve their taking over presumably a substantial portion of the former American market.

MR. LEVY: I would not call that normal market expectations. However, if the British companies would trade in dollars and would compete with your company or with any other company--

MR. JACOBSEN: They wouldn't compete with mine because we don't export.

MR. LEVY: Any company. I don't care. I know you have only a producing interest here. But if they would compete with any company in dollars on an equitable basis, I think they should compete. Let me add something else to that. A British company which receives ECA aid does not receive a grant from anybody. They have to put down pounds sterling for every bit of equipment they purchase. Therefore, whoever makes investment decisions over there must make them as a reasonable and normal businessman who expects some return for his money. We don't give equipment away to anyone.

MR. LEVY: They have to purchase it. What we do is to give to the country concerned the means to exchange

pounds sterling, the private industry over there, into dollars. I think that can not be clearly enough stated.

MR. HAMON: Mr. Levy, I think I understand your problem, but I think possibly what I may or may not read in your address here, and maybe you are not right. I just don't know. What I was wondering, though, is the thinking of the ECA that to bridge this gap between \$4 billion expenditures and \$1 billion income, is it the thought of the ECA that the easiest way to bridge this gap and the most effective way should be an undue expansion of the European oil industry in order to bridge this gap? That is what I am wondering, if I don't read that in your speech.

MR. LEVY: No, I am sure we have not. Let me describe the effects of oil on ECA operations a little bit more closely.

The first important thing is the dollar expenditure which Europe makes at the moment for the imports of oil into Europe. American companies have an established market position in most of the European countries, and the outlets which American companies have in Europe are necessary in order to assure a reasonable operation of the foreign concession, the production in concessions which are owned by American nationals. American companies have to a considerable extent voluntarily made the decision that they are going to build refineries in Europe leading to a very large dollar

saving for Europe. I know of one company which is prepared to spend many millions of dollars which would lead in one refinery I think to an annual saving of \$60 million in the imports of this particular company. That has been done by American industry which has made the decision that if they want to maintain their business in Europe, they will have to minimize the dollar drain from Europe. This is a commercial decision. This is nothing but a commercial decision.

If I were in the oil business in Europe today and were dependent upon large dollar income from Europe, I would say while ECA is in business, I am assured of that income. If and when ECA is out of business, I can't force anybody to spend dollars if he doesn't have any. I can't force him to spend it. Why force him to spend it on oil if the country needs food and would rather spend it for food and buy oil from somebody else?

As I said before, American companies have gone along with the European country and built a sizeable amount of refining capacity there. It is our intention to see to it that these company rights are protected as far as can be reasonably done.

The next phase of the program is the expansion of British production, which Mr. Jacobsen mentioned, overseas, in the Western Hemisphere and in the Middle East. We have told the British that we do not believe in duplication of

facilities which are not necessary, and because we have not had a coordinated and integrated program in front of us, we have refused to finance up to now. But this does not mean that the British oil industry is not an important asset which will help European recovery in a most extraordinary manner. We, as well as anybody who looks at this problem, I hope reasonably, would feel that to create a world surplus of oil would not be to the best interests of ECA or the country concerned, and certainly not of the oil industry.

It is a difficult problem, Mr. Jacobsen, and it is a difficult problem, too, what kind of control you can exercise.

DR. POGUE: Mr. Chairman, I have one comment and one question.

It seems to me in one place in your paper, Mr. Levy, you implied that your plans were being based on the thinking that world demand would increase conservatively at the rate of six per cent per annum. If six per cent is the rate of increase for world consumption, which is now something over nine billion barrels a day, would in ten years be a 70 per cent increase or nearly seven million barrels a day. In my judgment a six per cent rate of increase for world demand is an overstatement of the probabilities. I would think in planing that it would be more conservative to think in terms of perhaps a three per cent rate of increase, which in ten

years would mean three million barrels a day more. Six per cent in my belief is much more than will be attained, especially in the troublous conditions that may lie ahead immediately.

MR. LEVY: I would not disagree with you, Dr. Pogue. We took the six per cent figure as the likely expansion during the next year. I am sure you share my hesitance as an economist to make predictions on future supplies and demands.

DR. POGUE: I think it is too high for next year.

MR. LEVY: Basically outside the United States. In the United States probably the figure for the United States is five per cent. The six per cent figure we thought would be about the expansion of demand outside the United States, where we still have a certain momentum. In the long run it is certainly too high a figure. If you talk about two or three year programs, we try to scale it down.

MR. JONES: Mr. Levy, Mr. Jacobsen touched upon this. You may not care to comment upon the broad aspects of this question. If you don't, say so and forget it.

Mr. Jacobsen touched upon a question which it seems to me ought to be of vital interest to all of us. We, I think, have some obligation and self interest in the restoration of the European economy. Far be it from me at this late hour to disagree with the policy of our country in extending

aid to Europe, but it would be a travesty indeed if, as Mr. Jacobsen suggests, when this curtain is rung down and we have spent \$20 millions, because I think our estimates are shy of what we will actually spend before we are through, if we find that we have done just what Jacobsen suggests, that we have built a 30-room mansion instead of a five-room house, and furthermore, that we have spent it in such a fashion that we in American industry, which perhaps is perfectly willing to meet all-comers in the field of competition and economic endeavor, are not competing with individual private enterprise abroad, but are competing with a socialistic and controlled economy, such as England is embracing today.

b        The thing about the whole European recovery situation that bothers me is that we are in effect financing a state of socialism in England, and that when we are finished with it, this country and its private enterprise system and its individual endeavor and the companies that sit around this table and the others at other tables throughout the United States, are not going to meet British competition in the form of private endeavor that have to account to stockholders and creditors. It is going to be a government subsidized business. To me that is the whole crux of the situation. I know that is a \$64 question, but do you think or can you give us any assurance that in this broad and sweeping gesture that we are making to save the world, at the American

taxpayers' expense, we are not at the same time doing a lot of things that may ultimately destroy our own economy?

(Discussion off the record.)

MR. JONES: I am unable to disassociate the impact of the British socialization and the impact as Jacobsen has indicated of over expansion which we can not hope to cope with on a socialistic basis.

MR. LEVY: I can only say I share your fears.

MR. JONES: I think we all have a right to.

CHAIRMAN HALLANAN: I think this is a very live subject and one in which we are all interested.

MR. JACOBSEN: I won't take much more time. I want to say that I fully appreciate that what you say is right, that whenever we try to help any particular branch of industry rebuild itself in Europe, somebody here kicks. Some time ago I noted that because some of the European countries were buying more tobacco than they did before in Turkey, the American Tobacco growers got up in arms because they weren't spending their ECA money to buy tobacco. What you say about shipping of course is perfectly right. No matter what field you enter, you step on somebody's toes. I fully understand that. But my fear is that the ECA says, here is the oil industry. They are big and healthy and strong. They have a beautiful commodity that lends itself to exchange everywhere. Let us give it to them. I am afraid the oil industry has to

pay more than its share because in the first place it doesn't howl, it doesn't say anything.

MR. LEVY: Oh, it howls.

MR. JACOBSEN: In the second place you feel they can stand it. With regard to your assurance that you got from Manuel Shinwell, I would say that that isn't worth a single solitary Goddam. We met Shinwell when we were in London two or three years ago and I remember Shinwell telling-- Joe was there when he said it, and at that time, that particular moment, there were one or two others. He said, "I can assure you that we will never socialize any industry in England that is efficiently run," and now they are talking about socializing steel, which is exceedingly efficient.

In other words, his assurance that they won't socialize oil doesn't mean a damned thing. First of all, he hasn't got the say, and even if he had, you couldn't believe him. He doesn't carry an awful lot of weight any more. I must just say that when he was named Minister of War after he messed up the coal industry, Churchill said, "Well, I think that is a very good move indeed, because he was Minister of Coal and Fuel and we didn't have any coal. Now they have made him Secretary of War, we may hope we have no war."

MR. JONES: I share Jacobsen's view, that Shinwell's word isn't worth a good Goddam. I will go further and say that the policy in England is so obvious to all of this group



that we needn't guess any more. They are going to socialize that country completely. The thing that worries the hell out of me is that we are just paying that bill and creating a state monstrosity with which we in American private industry have to cope.

(Discussion off the record)

MR. JONES: As American producers, we are all going to be kicked in the pants if it gets serious enough over there. By the same token if we had an ironclad contract with somebody in England that we could respect that they wouldn't socialize oil, I would still say that the impact of the terrific socialization over there would kick the hell out of us.

MR. LEVY: I wouldn't quarrel with that, either.

CHAIRMAN MALLANAN: As one who is very close to the administration of the ECA and has lived with it, you do share some of the same anxieties as expressed by Mr. Jones and Mr. Jacobsen?

(Discussion off the record)

MR. RUSSELL BROWN: Mr. Levy, I have noticed there is some talk of financing exploratory wildcatting for oil in the British possessions. I hope when you get to that you will give some consideration to what might happen. We are now experiencing a world oversupply of oil.. Every new barrel of oil you bring into existence is going to contribute further

confusion to that situation, and it is a real one that we are struggling with right here. I hope you will give some consideration to that.

MR. LEVY: Which certainly will be done. I can perhaps say this: I think you should realize the problems we have in this kind of game.

MR. JACOBSEN: I am damned glad I don't have your job.

MR. LEVY: What do we do in ECA? We finance, so to speak, the British balance of payment deficit. The British and ECA prepares a program of what is necessary, what imports are necessary into the U.K. for which dollars have to be paid and how many dollars does the U.K. earn during fiscal 1950. It finds there is a difference of about a billion dollars in these two figures. It is scaled down and we come up finally after appropriations are through with us, say we come out about \$750 million. Okay. The situation is this: Great Britain will get from the ECA \$750 million during the course of the next year. Assume it does. They will earn say \$600 million by exports and by shipping and what have you. And they will probably spend some of their reserves. Great Britain has \$1.5 billion to play around with in line with its needs. We cannot easily determine what part of the total imports into the U.K. are to be financed by ECA and what parts are to be financed by the dollar income of the

U.K., their own dollars. We could only control it if we were to say every dollar you have goes through American Government machinery, if we would have ECA instead of having 400 more, it would have 4,000, and there would be a big group of bureaucrats in the U. K. Then we could say we control every dollar you spend and you have to do exactly what we want you to do.

MR. JONES: May I inject this: I think I could enforce that type of bureaucracy.

MR. LEVY: You find the bureaucrats first.

MR. JACOBSEN: May I say just one more thing and then I will quite.

CHAIRMAN HALLAHAN: One more. We are running pretty late.

MR. MAJENSKI: I insist that he tells Mr. Levy how much he wants the refining program restricted to.

MR. LEVY: That is what I would like to know, too.

MR. JACOBSEN: This is quite serious and it seems to me to be a point that the ECA could perfectly well raise with the British. In 1943, I think it was, before the advent of Lend-lease, just before lend-lease, the British pledged with the Reconstruction Finance Corporation securities which at that time were worth about \$500 million for a loan of \$445 million. They drew down about \$390 million of that. By application of dividends on the stock held, and that was a very large representative list of American companies quoted

on the New York Stock Exchange plus some privately owned companies - by application of dividends and interest that loan the last I heard of it a couple of years ago was down to a couple of hundred million dollars. It must be not more than 150 million or something like that now, perhaps even less. In the meantime the securities went up in value and are probably worth now the better part of three-quarters of a billion dollars. So England has there equity of at least \$600 million, possibly more.

Why should the socialistic British Government continue indefinitely as a stockholder, a large stockholder, in a vast number of American companies? They have big blocks of shares of Standard of New Jersey, U.S. Steel, General Motors, Standard of Indiana, Amerada. They have a bunch of your stuff (to Mr. Jones) and I don't know why the British Government should not be told to sell those shares in the American market if they need dollars so badly and use those dollars instead of giving it to them from the Marshall Plan.

MR. LEVY: I would like to say that in general it is essential, I think, that the various European countries have an investment and have an invisible income in order to supplement their merchandise income, income from merchandise exports. What gripes you in this situation is that it is a British Government, a socialistic government. You wouldn't mind if a Britisher owned these stocks of whatever company is

involved.

MR. JACOBSEN: That is right.

MR. LEVY: If the British Government divested itself of these and gave them to British citizens--

MR. JACOBSEN: If they need to buy a lot of goods in the United States, why don't they sell them?

MR. LEVY: There, Mr. Jacobsen, you get into a very ticklish problem of balance of payment. In order for Britain to purchase all it needs from the Western Hemisphere for dollars they first have to export here a hell of a lot, and secondly, they have probably to have an income from investments. They had a very large income from investments 10 or 20 years ago. Very little is left. That is part of the total picture of the country's foreign assets.

MR. JONES: I think the answer to Mr. Jacobsen's question, Mr. Levy, is that if you took away the American securities they own and applied it on their debt or whatever you want to do with it, then you would have to increase your appropriation for ECA and where do we get?

MR. LEVY: What gripes Mr. Jacobsen is that it is the British Government.

MR. JACOBSEN: You told us there is no better investment than oil because you get the money back in two years.

MR. LEVY: I am not so sure any more.

MR. JACOBSEN: Why don't they take that equity of

\$600 million which they have and buy their refinery equipment with that instead of letting the American taxpayer pay for it?

MR. LEVY: Mr. Jacobsen, that is where you make a mistake, if I may say so, because that is exactly what they are doing. As I said to you before, we have not financed any equipment for the British, and we may never.

MR. JACOBSEN: You stuck to that, that they may never.

MR. LEVY: It doesn't help you, Mr. Jacobsen. It doesn't help you a bit. I can build up a very good record for myself and I would like to, but I would like for it to be an honest record, too. I can come to you and say I am lily white, I haven't spent a single dollar on oil and our machine tool expert goes to the machine tool industry and makes the same statement and so on. But there are a lot of dollars left to those countries which are not under ECA control, and they may use those dollars for those things which create difficulties.

MR. JONES: And they are doing it.

MR. MAJEWSKI: Mr. Chairman, Joe Nolan could give you the perfect solution from the co-op angle. Joe, are you ready?

CHAIRMAN HALLANAN: Mr. Levy, thank you very much. It has been a very entertaining discussion. (Applause)

Gentlemen, this session has run unusually long.  
It is now 1:15. I suggest that the Council recess until  
2:45.

(Whereupon, at 1:15 p.m., the Council recessed until  
2:45 p.m. the same day.)

## AFTERNOON SESSION

(The Council reconvened at 3:00 p.m. pursuant to the taking of the noon recess.)

CHAIRMAN HALLANAN: The Council will please be in order.

Gentlemen, the first business of the afternoon session will be the report of the Committee on Mineral Industries Census, of which Mr. Burns is Chairman. A copy of the report has been sent to you prior to the meeting.

Mr. Burns, we will be glad to have you present the report.

(Mr. Burns read the report of the Committee on Mineral Industries Census, with the following interpolations:

No. 1: The thought behind that was that if there is no official balance sheet of the oil industry or the industry in general as of some certain date, people might be tempted to go out and take polls or spot checks and get misrepresentation, and that is usually what is used against the industry when somebody wants to make dirty cracks about it.

No. 2: The thought behind that was that if the oil industry or a representative group of the oil industry said we don't want the census, we don't think much of a census, people might point their finger and say there is the oil industry all over again, trying to keep a secret.

No. 3: The point of that is to explain an idea which



had bothered some members of the Committee, that a census could never be current or up to date. I must say that at first I had that feeling that the census couldn't do much good, but somebody much wiser than I was pointed out that it doesn't matter whether it is up to date or not, it at least gives you the true facts as of a certain date and taken in conjunction with other censuses or surveys made at other dates, gives you a very accurate measure of growth and improvement.

No. 4: That arises from the observation of many members of the committee that the census is of very large volume and contains a lot of data which has nothing to do with the oil industry in a critical sort of way. It is sort of accidental. Sometimes the line on which the closing balance is closed off doesn't suit the oil industry or its practice in this respect, and we felt that if a committee which was familiar with industry statistical methods and the facts which are usually kept by the industry were to cooperate with the Bureau of the Census something much more useful and much more easy to compile and much more accurate, therefore, would result.

(Mr. Burns continued reading to the end of the report.)

MR. BURNS: That arises from the fact that we observe the last census taken was in 1943. Mr. Chairman, that

is the report, and I move its adoption.

CHAIRMAN HALLANAN: You have heard the motion; are there any remarks, gentlemen?

MR. RUSSELL BROWN: I second the motion.

CHAIRMAN HALLANAN: It has been moved and seconded that the report as submitted by Mr. Burns be adopted. All in favor indicate by saying "aye." Contrary "no". It is so ordered.

Mr. Russell Brown, as Chairman of the Committee on the Petroleum Industry Steel Requirements.

MR. RUSSELL B. BROWN: Mr. Chairman, with this committee's report we have submitted the suggestion that if the report is accepted, the committee be discharged. In justification of that, I think I will take just a minute or two to state the reasons that undergo that to show whether or not the job is complete.

(Mr. Brown read the report of the Committee on Petroleum Industry Steel Requirements, with the following interpolations:)

No. 1: I might say there, Mr. Chairman, I find that is exactly what is being done. There were a lot of fellows who because their contractual relations were not able to get through supply houses are now getting their requirements through other companies who probably had excesses. I think the industry is doing just the thing the committee thought might

be necessary if we ran into any trouble.

(Mr. Brown continued reading the report down to the words "Further comments on steel supply" on page 6.)

MR. BROWN: We have set forth the segments of the industry treated in detail for those who are concerned. I want to say, Mr. Chairman, that the committee working on this, although we were in an entirely strange field when we started and were blazing trails that we were not accustomed to, the committee has given us a lot of very careful and thoughtful work.

At the same time we were greatly assisted by the Interior Department. There the Oil and Gas Division has given every possible help. Mr. Hann in the Commerce Department, and Mr. Clark also. Mr. Han has given us a lot of patient and time-requiring activities. I think as a result of his work we probably got an allocation of steel that we might not otherwise have gotten. That probably resulted from the rather stubborn insistence on the part of Bob Friedman and Max Ball that they do give us attention. I believe that with that, unless there is some questions, that is all I will read of the report.

CHAIRMAN HALLANAN: Are there any questions, gentlemen, in connection with Mr. Brown's report?

Mr. Friedman, I think perhaps you might want to comment on that.

MR. FRIEDMAN: I would like to thank Mr. Brown and his entire committee for the remarkable report, which is certainly a proud record of accomplishment for all of you in this room and for the Petroleum industry.

I didn't expect at the last meeting and certainly not several meetings ago to get a report of this kind in April of 1949. The oil industry has made strides that are evident here and are almost unbelievable, I am sure, even to some of you.

I am delighted that Mr. Brown feels that there is no pressing need for any further voluntary allocation agreements because we here in the Government don't like them, either, if they are not necessary. We do like them if it means that without them the petroleum industry won't get the steel that it needs.

I understand not only from Mr. Brown and his able committee, but also from the Office of Industry Cooperation, that they feel the situation as far as oil is concerned is definitely improved, and while I think large diameter pipe and plate will remain scarce, apparently the petroleum industry will get every bit that they can possibly hope to get under almost any approach to the problem.

I would certainly like to second Russell's thanks to the Office of Industry Cooperation. I do know that it was due to the efforts of Mr. Clark and Mr. Hahn that the volun-

tary agreements that went through did go through and that the petroleum industry did get steel that otherwise it would not have gotten. They did a remarkable job for the petroleum industry and I think for the country. I think we all owe them a great deal of thanks.

CHAIRMAN HALLANAN: Thank you, Mr. Friedman.

Mr. Clark, the Director of Office of Industry Cooperation, we would be glad to have your comment in connection with this report.

MR. EARL CLARK (Director, Office of Industry Cooperation, Department of Commerce): Mr. Chairman, I shall make my comments very, very brief.

When we met here some time ago, I had the pleasure of talking to this group, I believe, with regard to certain of the needs of the industry for steel. I believe that we estimated that the tubular goods production in 1948 was something like this: The oil country goods estimate was about 1,600,000; we find the actual production for that year something like 1,674,000 for that particular commodity.

In line pipe I think the production was something like 1,725,000, and I believe the actual production was something like 2,200,000. We recognize that while the needs seem to be fairly met in the field of oil country goods, in the field of line pipe it probably would not be met, and of course obviously it was not.









I had some statistics to read here, but I am not going to read them. It reminds me of the story of a statistician who went out duck hunting and the first shot he shot over the duck. The second time he shot under the duck. And he was perfectly satisfied because all he had to do was strike an average, and he got a duck, so he went home and ate roast beef.

As I listened to Mr. Brown's report, which I should like to say for the Office of Industry Cooperation I think is an excellent report, my figures that I had planned to read are so near like his, I think we begin to shoot ducks. I think that we are fairly well in agreement with Mr. Brown in the figures that you have submitted in this very excellent report.

I think just a few words, since I may now skip those figures, on the voluntary allocations, might be important.

First, I want to pay tribute to the Department of the Interior. We have something like 19 formal agreements, and if you take stockpiling, it adds up to 26. Out of those 19 agreements under Public Law 395, the Department of the Interior I think helped to sponsor about half, and I think even possibly more. We have had the finest cooperation, both from the petroleum industry and from the Department of the Interior in all of these programs in which they have had a very deep interest.

If you are interested in what is happening to voluntary agreements, I think three figures might be very important for you to take home with you.

In May of this year the total steel under allocation will be about 581,233 tons. That represents the largest amount of allocation ever, because in that figure is the ECA program. But note that in June we cut it to 444,802, which means a return to free economy of something like 150,000 tons for that month. In June I am reducing that figure to 242,912 tons, which means that all of the steel under voluntary allocations will have been reduced to the percentage of some 60 to 61 per cent.

In short, we are operating at just about 39 per cent for July of what we had once under voluntary agreements.. That means that all the steel will be returned to the free economy to go into other essential uses, and it ought to give some relief to some of the problems which you have presented here today and also give relief to a great many other segments of industry.

I am one of those who has always believed in having just as little control as possible, but having just as much as is needed, and that possibly we ought to have a look-see at this thing every month. Accordingly we do have a monthly review of the whole problem, and we make these adjustments on a monthly basis.

I cannot tell you what will happen on the 30th day of September when this law ends. I can only say to you that as long as we are in existence and we can help out in any industry that is in distress, we feel ready to offer our services. I am reducing the steel allocations back. I am at the same time reducing staff. So for the Department of Commerce I can help to reduce this last fellow that you see up here on this chart.

I thank you very much, and I want to say in conclusion, Mr. Chairman, it has been a real pleasure to work with the Oil and Petroleum people here, Mr. Brown, Mr. Friedman, and all the people in the Department of the Interior who have contributed so much to this program.

I thank you. (Applause)

CHAIRMAN HALLANAN: Thank you, Mr. Clark.

Russell, I want to express my personal thanks to you, first, for your willingness to undertake this assignment. As I looked about to appoint this committee, it was with much misgiving that I sought someone to take the job because it was a critical problem which involved an enormous amount of detail work. You came through with it in your usual splendid and capable and successful way, and I think we have a report here which reflects great credit upon the Committee and great credit upon the Council.

Thank you very much.

MR. RUSSELL BROWN: Thank you very much, Mr. Chairman. (Applause)

If I may at this time, because you mentioned a thing that I am not very capable at, and that is the detail, tedious work. Minor Jameson did that, and I don't think I should claim credit. I should like you to know him. (Applause)

CHAIRMAN HALLANAN: Mr. Brown moves the adoption of the report and the discharge of the committee from any further services.

(The motion was duly seconded)

MR. JACOBSEN: Discharged with thanks.

CHAIRMAN HALLANAN: All in favor indicate by saying "aye"; contrary "no." The report is adopted and the committee is discharged with the thanks of the Council.

Some months ago, gentlemen, we had a request from the Oil and Gas Division for the appointment of a committee to study the matter of quebracho requirements for the petroleum industry. That is of course a very technical matter, and setting up a committee to deal with it has been a very unusual job. However, we succeeded in securing Mr. John R. Suman to act as Chairman of that committee. While he is unable to be here today to present the report in person, it will be presented by Mr. Page in behalf of Mr. Suman. There will be distributed to the members of the Council a brief of the report. The report is a rather voluminous and technical

document.

MR. PAGE: Mr. Chairman, Mr. Suman wanted me to express how sorry he was that he couldn't be here in particular because he would have liked personally to express his thanks to the members of the committee, who did a very excellent job on this report.

I might mention that, Mr. Chairman, in preparing this report they took up the question of substitutes for quebracho with 17 different organizations, either companies or laboratories in the United States, and five that deal with foreign activities.

Jim Brown will have a complete list of those, as well as the detailed report which gives considerable data on the viscosity characteristics of various substitutes for quebracho for those interested in it. It is a rather technical report, and therefore it was not distributed widely, although all members of the committee have it and it is available for any one who wishes to have a copy, or will become available.

Mr. Suman's letter to Mr. Hallahan follows:

"Submitted herewith is the report of the Committee on Quebracho Requirements of the Petroleum Industry.

This report constitutes a careful study of the requirements of the industry for this material and of the substitutes and alternative materials that can be used in its place. The findings of the Committee can be summarized briefly

and in general form as follows:

"1. The position of the oil industry insofar as its operations would be influenced by the availability of Quebracho is sound. The industry is in no way dependent on this product for the maintenance of the efficiency of its operations. There are sufficient other natural products or chemicals which are available for use or which could be made available with a minimum of development to meet the needs of the oil industry for this type of mud treating compound. Suitable examples of these are products from the buttonwood trees of Mexico and Yucatan, lignin derivatives, and other products of wood chemistry, complex phosphates, as well as several miscellaneous other materials.

"2. Various elements of the petroleum and chemical industry have maintained in the past and are now maintaining continuous research efforts in order to meet the changing needs of the industry operations.

"On the basis of the study undertaken by this Committee, it appears that there is no further need for the Committee on Quebracho Requirements to remain active."

For those who are not familiar with the reason for this, I believe that all of the Quebracho that is used in the industry comes from the Argentine or Paraguay or Bolivia, I don't remember which, and there was the fear that in case something

should happen to cut off such imports, the drilling industry would be in very bad shape. We have heard a lot today about the question of imports and how we should not depend upon them.

I think I might read the summary of the report.

(Mr. Page read the summary of the report.)

MR. PAGE: The report itself, which is rather long and detailed, describes each single product that was considered and, as I say, if any one is interested in the details of this subject, a copy of this report can be made available.

I think I should mention that when all the committee members reported back, they all agreed with the report completely, with the exception that one of the committee members mentioned that in the report it states that the pecan shell extract should not be considered as an emergency substitute for Quebracho. One of the committee members developed some additional information that indicates it could supply, if necessary, considerable proportions as a substitute, if necessary.

I think that is all, Mr. Chairman.

CHAIRMAN HALLANAN: Thank you, Mr. Page.

MR. FRIEDMAN: I would like to thank Mr. Page and his committee for the report. As most of you know, it was requested initially not by the Oil and Gas Division, but by the Munitions Board, of which of course Mr. Carpenter is Chairman,

and in connection with the stockpiling activities of that Board. When they got into the problem of Quebracho, which is of course extremely important to the tanning industry, they found that about a third of it was used by the petroleum industry. They sought advice from us and from you through us as to whether or not there was need for stockpiling Quebracho for the petroleum industry.

I gather from the report that the general feeling is that that isn't necessary, that there are adequate substitutes, and I know that will be good news for the Munitions Board. They have enough problems.

I was a little slow on my feet and I let Mr. Burns get away without thanking him for a very fine report and thanking his committee and for their help to the Bureau of Standards and the Bureau of Mines. I think his report will be very helpful in seeing to it that an adequate mineral census is made. That will be valuable certainly to the Government and I think also to the industry.

Thank you, Mr. Burns.

CHAIRMAN HALLANAN: It has been moved that the report submitted by Mr. Suman's committee and presented by Mr. Page be adopted. Is there a second?

(The motion was seconded, put to a vote and carried)

CHAIRMAN HALLANAN: The committee is discharged.

Gentlemen, while we have discussed a wide range of



subjects dealing with stockpiling and the development of reserves and emergency problems that might arise in some national crisis, there is another problem that is very vital and upon which this Council was asked to make some investigation some months ago. That dealt with the very human problem of conservation of essential petroleum manpower. We have appointed a committee which has set about in a very extraordinary way to secure the necessary data for the development of a program that we may be able to bring forth the facts dealing with this subject.

Fortunately, I was able to prevail upon Mr. Vandever to accept the chairmanship of that committee. It has had several meetings and Mr. Vandever is at work on a very important assignment. The report of the committee has not been made final, but the committee is making progress in this very important matter.

I would like Mr. Vandever at least to present a progress report today and let us know just how you are coming along.

MR. VANDEVEER: Mr. Chairman, this report is a progress report only. It will add no hormones, I am sure, to this exceptional growth that I see before us here on this chart, which I think was caused by some unusual hormone, probably, not necessarily caused by Bob Friedman and the Oil and Gas Division of the Interior Department.

(Mr. Vandever read the report of the Committee on Petroleum Industry Manpower, with the following interpellations:)

No. 1: Here I would like to mention that there was considerable discussion as to whether this survey should be made by representatives of the petroleum industry or should be made by some government agency. It was the unanimous opinion of the committee that we would get better results by having men of the industry make this survey rather than a government agency.

No. 2: And at whose request the manpower survey was made.

No. 3: At that point it is the suggestion of the committee that these forms be returned to the Secretary of the National Petroleum Council and a composite of all the companies be available then to all segments of the Government that may have use for them rather than presenting a detailed report on each company.

(Mr. Vandever continued readin to the end of the report.)

MR. VANDEVEER: Gentlemen, this is quite a job and the work has not started yet. I hope that by the middle of May or a little later each one of you is going to receive a form, which I hope you will fill out, expedite it promptly and get it back. If in 45 days we can get it back, I am sure that

we can have a report for the next Council meeting. It depends upon the way that you are going to expedite the filling out of these forms as to whether we can have it at the next meeting.

Mr. Chairman, I move the adoption of the report.

CHAIRMAN HALLANAN: I don't think the report needs adoption necessarily. It is merely a progress report. I think it would be perfectly proper to develop any questions in connection with it or any suggestions.

MR. BRUCE K. BROWN: I have a question which I would like to ask. I don't mean to be facetious, I assure you. We spoke during World War II of manpower as including both sexes, women and men. Some of the language in the report and in the letter about the questionnaire suggests that it is directed only to men, particularly to classification of irreplaceable and partly replaceable and trainable. I am a little bit confused as to what the intention is, but before I ask I would like to express my personal opinion that it would be much better if you would get data on the total employment by the industry of both men and women so that we don't leave that question hanging in the air. Obviously a certain number of men can be replaced by women, but unless we get to the total number of employees, male and female, we won't have a good base on which to work.

MR. VANDEVEER: Maybe you have something, Bruce, but

the committee has considered only the male employees of the industry.

MR. BRUCE K. BROWN: It seems to me that while we are going to all this work we might as well find out how many people we do have in the oil industry. We would like to know, and nobody knows now. If we don't get the women in there, too, we won't have the figures.

DR. WILSON: This is not going to be complete no matter what you do. That is the thing that rather bothers me, Van. There are many thousands of companies in the oil industry. Are you going to address every one, every marketing company, every fellow that operates a service station? Where are you going to draw the line?

MR. VANDEVKER: We are going to draw the line at all of the large producing companies, the transportation lines, the large refineries, and maybe down to 50 or 100 men. You can't go down, Dr. Wilson, to this last one. It would be an endless job.

DR. WILSON: You wouldn't get answers anyway.

MR. VANDEVKER: You wouldn't get answers anyway. We are going to stop at some level down here.

DR. WILSON: Then you won't answer Bruce's question as to what the total employment in the industry is.

MR. BRUCE K. BROWN: I think you might do that another way. I should think that through the Associations of

jobbers and retailers you might get estimates that are useful. After all the whole thing is going to be an estimate anyway.

MR. VANDEVEER: All of the different associations have been talked to and we are getting the full cooperation of every association. To answer your question, Dr. Wilson, these associations tell us that they can come reasonably close to giving us the men in service stations, giving us the men employed as truck drivers and what have you. We can't go down and get it. The reports from the associations will not include any reports from major companies or large operators. It will just be the bottom strata. That is the only place we can touch it.

MR. WARREN: Mr. Chairman, I would like to ask you about No. 8. Why do you leave out the foreign employees?

MR. VANDEVEER: That was left out for the reason that we were told by some of the major company representatives in the committee that it would take much time to get that all compiled. We are hoping that if the industry wants this, we will make a second survey to be continued after this. We will get this survey in, and then we can enlarge the survey to include almost anything else that comes along. We can get the domestic survey, it is the feeling of the committee, much more quickly than we will be able to get the foreign included.

MR. WARREN: You thought you would include that at

a later date.

MR. VANDEVEER: If the National Resources Board would like to have that at a later date, we will proceed on that.

MR. DUNNIGAN: Mr. Chairman, I possibly misunderstood you when you said this would include companies just down to employees of 100 men.

MR. VANDEVEER: We are having a final meeting now and we are going to go down and take in every refinery in the country, every refinery that is operating. They may have only 50. The refineries are not going to be a tremendous job, you know.

MR. DUNNIGAN: That is fine. I thought that was possibly what you meant. The reason I mentioned that is that someone suggested that if you went down below that number you wouldn't get replies. Of course, the oil industry is composed of many thousands of companies with less than 100 employees, the only difference being that instead of getting the reply from the 19th vice president, it may be from the president of the company, who is also the office boy, but you will still get your reply.

MR. VANDEVEER: I am sure that in your case we are going to get a very good reply, and you will be getting one of them. We will contact all refineries. Some of the pipe lines possibly, some of the small independents that have a pipe line in Texas, we are going to have to do a little

estimating. We will get that from somebody else because God knows you will never get a report from all of the small operators in the field.

MR. BAY: Under the heading of transportation do you intend to include tankers as large transportation?

MR. VANDEVEER: No, sir. We will include inland tankers and barges. You mean just in the bounds of the country? We will not include anything on the high seas. The rest will be included.

DR. WILSON: How about intercoastal?

MR. VANDEVEER: We will include intercoastal.

MR. LOVEJOY: I apologize for talking as I am talking to you about this program because I have not had a chance to talk to you about it before your meeting. I was not able to attend your meeting, but I would like to make a few comments about this program.

This originated with the National Security Resources Board in order for them to have an idea of what our manpower problem was in case of an emergency. In my first discussion about this with Mr. Vandever, he thought we might make a very short report which would include perhaps the members of the industry that are in the reserve and the national guard. That of course includes a great many men in the industry and men who are indispensable to the industry. According to this report, we have to make quite a census of our manpower. I

wonder what useful purpose it might serve either to the industry or the National Resources Board. In case of emergency, from the previous experience we have had in the last war, we do know this kind of thing could be done effectively and very quickly when needed. If we do it now and no emergency arises for four or five years, unless it were done currently it wouldn't serve any useful purpose.

Perhaps it hasn't been mentioned here that it might serve some useful purpose to the industry, and if so it would be fine to go ahead with it. I can tell you, Van, you are getting into an awful big job, and whether it will serve any useful purpose or not I don't know. I would like to bring that up for discussion.

MR. VANDEVEER: I hope, John, that we will never be able to use it, that we will never have to use it. The reason that this was expanded was that Mr. Sam Hill, of the National Security Resources Board, sat in each committee meeting with us and as was pointed out by Mr. Max Ball's letter, which is attached hereto, it was at the request of that Board that this was being made. We are following the suggestions that Sam Hill has made right through the committee. For that reason it has been expanded, and for that reason only. Nobody knows better than I do that it is a job.

MR. BRUCE K. BROWN: There is one thing I would like to comment on. This provides as good a mench mark as the



census. If you once find out in one year how many people we have, we can extrapolate forwards and backwards pretty well.

This question was first raised with the military petroleum advisory board in this form, that the NSRD asked the armed services Petroleum Board what the manpower requirements of industry would be in the event of war as part of their mobilization plan. It is part of their evaluation of the manpower available in this country, how large an armed force you could raise and how many people would be needed in industry and so forth. We were discussing it and we didn't think it was a confidential question. So we thought it was something for the Council rather than for us. Our suggestion was that if you find for any one year whether it was '48, '49 or '50, how many people we had in the petroleum industry in its several branches, and that would include women, we could extrapolate from that.

MR. LOVEJOY: You had it in pretty good shape when you needed it.

MR. BROWN: We couldn't find it. We couldn't find it around Washington.

MR. LOVEJOY: It took a little while, but we got it.

MR. VANDEVEER: One of the reasons for this as pointed out by the NSRB was that if this classification is

made of the industry by ages and time of replacement, instead of going through the draft boards as we did during the last war, these certain classifications of men who cannot be replaced readily or it takes a long period of years, that those will automatically be set aside, and the industry will not have that quick draft into essential manpower that we had during the last war. I think Max Ball was the fellow-- Max, I believe you received the first request from the NSRB.

MR. BALL: I think I could explain a little bit on that. The National Security Resources Board is created to do something that wasn't done before the last war, namely, to have some planning done in advance, and to have the facts ready when the time comes instead of waiting until the emergency is here and we are in the midst of the emergency and then trying to get the facts and evolve policies. That is the whole purpose of the National Security Resources Board. It is to be ready or just as nearly ready as it is possible to be.

One of the things you can see is that they are charged with having knowledge of manpower needs in all industry. It is not peculiar to the petroleum industry. It is for all industry. In ~~finding~~ finding their way out in how to discharge that responsibility and to be ready with some kind of plan for handling the manpower situation if an emergency arose, they came first to the military petroleum advisory board and

then to the Council through the Oil and Gas Division initially with the request, can you help us plan a manpower program?

Then when various agencies concerned sat down and talked it over together and we got Bruce in, and we got Walter Hallan in and sat down and talked about it, obviously the first step toward knowing what the need may be in wartime is to know how much employment we have in the industry and in what categories in peacetime.

As Bruce says, we figured if we got it for one year, then we could reference forward. I don't know that figures are available that you had, John, but the figures you had during the war are not indicative of conditions at the present time because those were abnormal conditions. If we get a census of employment in the industry now by each category, we at least have something to reference forward from. With that, then the oil and Gas Division and the National Security Resources Board and probably with this Council, can then sit down and say, "This is the employment we have in these categories in the industry today on a peacetime basis."

We have to look forward to an emergency in the light of these facts. What is the best plan to make to disrupt the industry the least and yet get the results we have to have in wartime? The first thing is to get your facts and that is all this study is.

When those facts are in, then it will be a lot more

obvious whether a next step is necessary in managing this plan or whether we have enough as we are. I think this is a highly important piece of work. The success of it is going to depend in large part on the committee, the way they prepare the questionnaire, the way they get this stuff out, and the analysis of it, they do when they get the material back. It is going to depend a great deal more on whether or not when you get these questionnaires you fill them out and get them back promptly.

So, on behalf of the committee I would like to bespeak your cooperation on that point. I am not on the committee, but just because I think it is an essential job that needs doing. When the committee does send these things out to you, get the personnel people on it and get these questionnaires back in here just as quickly as you possibly can, or back to Jim Brown, rather, just as quickly as you possibly can. I think that the result is going to be something not only of value to the National Security Resources Board, but also a very valuable thing for the industry to have. I think it is a very healthy thing for the industry to know how many people it is employing and in what categories.

MR. VANDEVIER: Mr. Chairman, I might mention here that the NSRB is using the petroleum industry as a guinea pig to get the first report. I am informed that similar reports will be gotten from all other industries. This is the

first one that is being tried.

MR. BAY: You spoke a moment ago, Mr. Vandever, that one of the purposes of this survey or report would be for the purpose of making deferments. If that is the case, then by all means American flag tankers should be taken into your survey. There is no group of men in any industry that are more specialized or highly trained than American seamen. Of all men who must be deferred before a ship can sail will be seamen. I think it is just as essential to include companies with coastwise tankers under the American flag as it would be inland vessel operators because they are an integral part of the petroleum industry, and no branch of the petroleum industry in this country is more specialized than that of operating American flag tankers.

MR. VANDEVEER: I concede your point and think it is well taken. But there is one thing you can be sure of. I operated tankers for a good many years, and the NMU will take care of that as they did during the last year. But if we should expand it, we can expand it. No seaman on the great Lakes went into the service when the NMU decided that he should be exempt..

MR. BAY: It is a problem for industry, not for them to decide.

MR. VANDEVEER: I am just saying you won't lose them.

MR. B. I. GRAVES: Mr. Chairman, I would like to

endorse the comments on the report of this committee and the need to get the replies back in. I am not a member of the committee, but we have a man on the committee, and I have kept in touch with the work. I think they have undertaken the job in a very businesslike manner, and I am sure the information will be valuable to the industry as a whole. I will urge that the representatives of the companies when they get their questionnaires please see that they are filled out and returned so that the committee can complete their assignment.

MR. FRIEDMAN: I would like also to endorse what Max said, and also what you said, Bert. We have a job to do now for the National Security Resources Board. I would like to be able to deliver on it. It is a big job. It can't be done without the full cooperation of all of you. I know you will get it, Van.

MR. VANDEVEER: Thank you.

DR. WILSON: May I raise this question, Mr. Chairman? If you leave it to people to classify truck drivers or service station operators, or what have you, in these classifications, some people are going to reach the conclusion that you can train a truck driver in six months and another is going to say it takes 18 months and another is going to say it takes three years. Wouldn't it be well in categories of that kind to give some sort of guide as to where those

should be classified? It seems to me your statistics are going to be worth very little if you let everybody make up his own mind about how long a man needs to be trained to be in a certain job.

MR. VANDEVEER: I think in answer to that, Dr. Wilson, if your company came in with a three year training on a truck driver and four other companies of your service came in and said it takes only six months, I am pretty sure that there would be a shift there.

DR. WILSON: These questionnaires are supposed to be filled out by categories, are they? That is, the number of men in each job is to be listed?

MR. VANDEVEER: As I have outlined here, you have transportation, refining, production, and it will be broken down into segments of the industry.

DR. WILSON: Will truck drivers go listed separately, for example, and welders? How will you know how we have classified our truck drivers?

MR. VANDEVEER: There is a form in there, and you can say truck drivers too many. I am sorry I do not have the form completed yet. That will be sent to you promptly because we are going to have another meeting of the committee and the form is being worked on. Each segment of the industry is going to be classified.

In refining you have still men, you have fire men,

you have run-down men, and a great many others, technicians and all of them. They will come in a different category, naturally.

DR. WILSON: I think you will get a much more uniform and useful set of statistics if you give some guide as to how long training you thought was necessary for these certain jobs rather than have each person give you their idea. Each person might be on the basis of trying to indicate the training was as long as possible.

MR. VANDEVEER: <sup>my</sup> feeling as chairman of this committee is that I am not capable and each member of the committee might say that it took so long for his company to train them, and there might be some slight variance, but I think it will be slight. It won't take one company much longer to train a man for a definite job than another company. When these reports get into the National Resources Board, I suspect probably that they are going to scrutinize them. If one fellow said, it takes four years to train a truck driver; and the other fellow said six months, they are going to establish something back here more near the six months than they would the four years.

SECRETARY BROWN: Mr. Chairman, I believe in answer to Dr. Wilson, the questionnaire will have with it a set of instructions and definitions that will be helpful in making these classifications.



MR. VANDEVEER: That is right.

MR. B. C. GRAVES: Technically, Van, what is this thing for? Is it to find out how many men can be released from the petroleum industry for military service or how many men have to be retained if the petroleum industry is to function?

MR. VANDEVEER: I don't think it is either one, Cliff. If you have a certain number of reservists, let's say in the industry that are callable, and they are all callable, if these reservists since the last war became absolutely essential and irreplaceable, that fellow is going to be put over here and he no longer will be called. So it is going to classify your men so that you will know those that can be called before they are ever called.

MR. HILL: Mr. Chairman, I move that the committee proceed.

CHAIRMAN HALLANAN: Gentlemen, at a recent meeting the Council adopted a resolution expressing its approval of the payroll savings plan for the sale of Treasury Bonds and directed the Chairman to direct such communications as necessary in formulating that plan and bringing it to the attention of various companies in the petroleum industry. I think we have been making fairly good progress. We have a representative of the Treasury Department here this afternoon who will take just a few minutes to bring us up to date.

I desire to present Mr. O'Malley, of the Treasury Department.

MR. RAPHAEL O'MALLEY (Savings Bonds Division, Treasury Department, Washington, D. C.): Thank you, Mr. Hallanan. I appreciate very much this opportunity of coming before you gentlemen today and expressing to you the thanks of the Secretary of the Treasury for the very fine help and support you are giving the Treasury Department in the management of our tremendous national debt, particularly in helping distribute the ownership of this debt by the sale of United States saving bonds through the payroll savings plan from the employees who work in this country. In fostering and promoting the payroll savings plan you are also helping to inculcate in the minds of your employees the habit of thrift. You are helping them provide for their own future security. You are providing for them the only means whereby you can buy United <sup>States</sup> Savings Bonds on the installment plan, to become stockholders in their country, and we hope better citizens as well.

Following out the very good resolution that was passed here in January at your meeting, we have had a series of meetings throughout the country and I would like to give you a very brief report on what we have done and what you have done.

In the absence of our friend, Mr. Burns, who was on the West Coast at the time, we had a meeting in New York on

March 18, sponsored by General Doolittle. At that meeting we had some 15 top executives of your industry, and I think we had a very successful meeting. We presented our problems, we presented our solutions and asked for help. I left that meeting feeling it was very successful and since then I have gotten reports from our New York office to the effect that the meeting was successful. Steps are being taken by several companies there to further promote the payroll savings plan in that area.

We then approached Dr. Wilson in Chicago and the doctor has assumed the role of emissary for us there to help promote our program with the companies in Chicago.

On March 31 we had a meeting in Tulsa, Oklahoma. Through the fine help of Mr. Skelly, Mr. Payne, and Mr. Bradshaw and the help of our State office there, we had some 62 top executives at a meeting there. I understand it was a very successful meeting and the only drawback from what I can understand is the fact that our good friend, Mr. Hallanan, was not able to be there that night and be the speaker of the occasion. Mr. Hallanan, we hope next time you can fit in in such an affair.

Going to Houston on April 6 we had a meeting there of only 40 top executives in that part of Texas, under the guidance of our friend, Mr. Baker<sup>of</sup> Humble Oil and Mr. Swiggot of the Shell Pipeline down there. We had a very good meeting. We

had the story presented by a banker and industrialist down there. Now I understand several companies are taking active steps to further promote the payroll savings plan.

The next day, on April 7, in Dallas, Mr. John Lattimer was good enough to get together some 37 top executives from Wichita Falls and Fort Worth, Dallas, in Eastern Texas. We had our program spelled out there by a vice president of the Federal Reserve Bank and I feel definitely sure that message took hold there from the reports that I get.

Then on the West Coast Mr. Reece Taylor gave us his audience, about an hour in his office, and has promised to give us all the support he possibly can. He has enlisted the aid of the Western Oil and Gas Association and I understand that their board of directors meeting there today are taking up our program and hope to develop some definite plans for assistance and help there.

Last but not least, through the help of Mr. Dowler Folis, the Vice Chairman of your Petroleum Council, the company is setting a good example for the entire area around San Francisco. In contact with our people there they tell me the good example set by Mr. Folis' company is stepping the thing up out there and has been very helpful.

Gentlemen, it all summarizes itself simply to this: We are getting some wonderful help from some very wonderful people. The date set for the petroleum promotion

has been April 18 to May 14. To those of you who have not been able to get started, I would like to ask you to get started now. It is not too late. We have been asking the executives to do two things: No. 1, appoint somebody in the company directly responsible to you to see that this promotion is put on. Secondly, put on a promotion whereby each employee is given a ready opportunity of signing up for payroll savings. Get an application card with the employee's name on it in his hand and let him say yes or no, whether he can or not. We don't want any pressure or coercion. You don't want that, labor doesn't want it, Treasury doesn't want it.

Gentlemen, the benefits to you from the wide-spread ownership of the national debt, the benefits to you, to your industry and to all of American industry will be in direct proportion to the effort that you men put into this job. We want your help and we need it, and thanks every so much for all you have done for us so far.

Thank you, Mr. Hallanan. (Applause)

CHAIRMAN HALLANAN: Thank you, Mr. O'Malley.

Gentlemen, during the latter part of 1948 the Council was put on notice that Mr. Max Ball contemplated resigning as Director of the Oil and Gas Division. We persuaded him for quite a while to remain beyond the time that he had definitely expected to terminate his services. But when we were put on notice that Mr. Ball was to leave,

Secretary Krug in conversation with me said that he would be very glad to have a recommendation from this Council as to the appointment of a Director to succeed Mr. Ball. We both agreed that in the interest of the continuance of the fine teamwork that we had had during the administration of Mr. Ball it was highly desirable that his successor be one of ability, one of experience and one in whom we had complete faith and complete respect.

Arising out of that notice, a committee was designated to look into the matter of finding a successor whom we might recommend to the Secretary of the Interior. I was Chairman of the Committee. I may say that the committee has acted with diligence; has pursued its responsibility vigorously, and we have done all we could possibly do in trying to develop someone to fill this important position.

In our first approach to the problem it was our idea that we should try to develop someone from industry, and we considered a great many people, but without success. Those whom the committee was willing to recommend found themselves unable to consider the matter because of their active connections with business or because of other considerations. Some came down to the end of the road and we have not been able to develop someone from industry to recommend for this position. Mr. Max Ball stepped out of the Directorship last December. Five months have passed on.

In the meantime the associate director, Mr. Robert Friedman, has been carrying on the activities of the Oil and Gas Division. More recently, Secretary Krug has suggested that he was very anxious to fill this important position <sup>in</sup> his department, that he felt that time was running and the situation with an acting director was not as satisfactory as it would be if a director were in charge.

In pursuance of that suggestion our committee held a meeting yesterday. I want to report to you this afternoon that the committee unanimously decided and voted that in view of the outstanding services of the Acting Director of the Oil and Gas Division, Mr. Robert E. Friedman, and the splendid way in which he has handled the position since Mr. Ball left the office, it is the recommendation of your committee that the name of Mr. Robert E. Friedman be recommended to the Secretary of the Interior for appointment as Director of the Oil and Gas Division. (Applause)

I want to call on some of the members of that committee, Mr. Marshall, Mr. Jacobsen, Mr. Graves, or anyone else to supplement what I have said with anything they care to add.

MR. JACOBSEN: I started this applause. I need not say anything more than that.

I feel the same as our Chairman has expressed. I don't think we could be in better hands than those of

Robert Friedman. At the committee meeting yesterday there was no other opinion. It was unanimous and very sincere and honestly meant.

MR. FRIEDMAN: May I break in? It is like sitting listening to your obituary. It is a little embarrassing, and I can't tell you, however, how much I appreciate it. I respect the group from which it comes as highly as any that I know and I regard you as my friends. So it means doubly much to me.

MR. JONES: Does it mean an increase in pay, Bob?

MR. FRIEDMAN: A decrease. That is a peculiar quirk. I will tell you about that later, but I will get less.

I tried to explain to the committee yesterday my reason for not having been a candidate for the job when Max left. I tried to make it clear when he did leave. I still firmly believe that the committee's initial decision was correct, that we need an oil man and we need a man with the experience and prestige that a man with oil experience would bring to the Division. It is a quality that I can't give, and it is a quality that is invaluable not only in the executive branch, but it is particularly valuable on the Hill. That is important to you and it is important to the Department.

Further than that, I have been in Government a long



time and I have gotten to the age I think where I have to make a decision either to stay or to leave, and I had made that decision to leave. I would like to stay after hearing what I have heard yesterday and today. As I said to the committee, I would like a couple of weeks in which to make a final decision. There is one thing that I want very much to do in private industry that I may have an opportunity to do. I will know within a very short time. If I have that opportunity, I feel that I should leave. It is one that probably as far as I am concerned I shall not have again.

I think the job here is important. I don't think that every one recognizes that, although the oil shortage is over, the basic factors that have caused the creation of an Oil and Gas Division have changed very little. The problems concerning the industry are different problems, but they are just as important to the Government and they are certainly just as important to the industry. We have had our problems here. You certainly have been helpful to us, all of you. We still have problems. We have staffing problems, and, Pete, I am very glad to report that we finally beat you out of <sup>one</sup> your bright young men.

MR. JONES: That is very generous of you.

MR. FRIEDMAN: That represents our first success. I would like to introduce to you two members of the success at this time. One is Bob Finney, that we took from Cities

Service. He was assistant superintendent of the Pettis Oil and Refinery. During the war he was one of the key men in the whole aviation gasoline program. He is a graduate of Dickinson College of Carlyle, Pennsylvania, and attended the Wharton School at the University of Pennsylvania, and we feel fortunate to have had him added to our staff.

Bob, would you rise, please? (Applause)

We have taken on several other men not quite as high up in the organization. We have several strings out for others that I think may bring to us men, if not quite as good as Bob Finney, almost as good. We have also taken on a new consultant to help us with our organization planning and the relationships with the services and with the National Security Resources Board. I think most of you know him. He was special assistant to the Deputy Petroleum Administrator for the entire duration of the war and did yeoman service there and probably knows more about the intra-governmental organization as far as oil is concerned of the last war than any one that I know. Is Batzell in the room? If he is, I wish he would stand up. He is our new consultant. (Applause)

That is the good part of the news from the Oil and Gas Division.

I have brought a bit of bad news, at least as far as I am concerned. As you see, we are finally getting some people. People are becoming available to the Oil and

Gas Division, and they are people now that we are willing to hire. We always were able to get staff, but neither Max nor I felt that we should spend public money for incompetent help, regardless of how tough it was for the rest of us. We had money left over last year. We will have a little money left over this year. That is because we couldn't hire the people that we felt were entitled to salaries out of our small appropriation. It looks like this year we can complete our very small staff if we have the money.

Unfortunately, although the Bureau of the Budget permitted us to ask for an increase in the appropriation of \$75,000, the House has seen fit to give us only the same amount that we had last year, which is \$325,000. \$325,000 is not a small sum of money, but out of that \$325,000, \$175,000 is earmarked for the Connally Act, which has no relation to the sort of things that you have talked about today.

That leaves us \$150,000 for everything from paper clips to directors' salary, and you can't have adequate staff on oil and gas, a staff that will be effective either with other agencies or with Congress. We need a few more people, and we believe that the additional \$75,000 that we requested would enable us to add six or seven technical men and some clerical and stenographic help for them. It is not only justifiable but it is also in the general interest. We are getting new

responsibilities every day. The National Security Resources Board has informed us that they are going to look to us for all petroleum planning initially. The responsibility will be ours. There will be other agencies with great interest and with responsibilities that we can't take on, but we are the boys who have the responsibility and will get the blame if planning is no good. The blame isn't important, but it is a very dangerous thing to do badly.

I hope, therefore, that the Senate will see fit to restore the \$75,000 that we asked for and didn't get in the House. I don't know. I will say, and I hope you will take it in good spirit, I saw little evidence of any interest in our appropriation on the part of the industry. Last year the industry was not only interested but extremely helpful. The circumstances were different. There was some danger that there would be no oil and gas division at all. I don't think that danger existed this year and certainly no one thought so. But the result of that complacency I am afraid is that there was a general feeling on the Hill that it didn't matter much. We don't spend money in anybody's district. We don't have congressmen who are interested in our appropriation. We don't employ people on a political basis. We employ very few people. So it must be some type of interest on the part of those who recognize the importance of our work, if it is important, that will persuade the Congress. I hope

that if you still feel as you did last year, you will lend a hand. It is important, I think, to whoever comes in and it certainly is important to me if I should stay.

In closing, I would like to tell you a little story that I heard the other day. It seems that the National Science Foundation gives a fellowship to the high school chap who writes the best original paper on a scientific subject. They have a banquet here in Washington and they have top flight attendance. Most of the brass of the industry scientific branches come and the chairman of the Research and Development Board and other top flight government people are there. The committee of judges is also equally lofty. So they had the banquet and they awarded the top honor to a 15-year-old lad from high school. Then they asked him if he would say a few words. I think he proved that he was the right person. He said, "Thank you very much. I have nothing to say, but I certainly hope the judges knew what they were doing."

I feel the same way. (Applause)

CHAIRMAN HALLAHAN: Mr. Ball?

MR. BALL: I don't want to spoil the effect of that very fine speech of Bob's, and I hope I don't. In this last thing Bob was talking about, he put his finger on one of the things that makes it very hard to get the director, to get anybody to take that job. This man is asked to do a tremendously important piece of work without the money to do

it with. I think we got along pretty well, but we were circumscribed all the time because we couldn't hire the men we needed, and all of us were working just a lot more than we should have worked because it gave none of us at any time time to sit back and take a look and do a little thinking. Since I left, Bob has been handling all of the work. While I was there Bob did at least as much work as I did, handled as much responsibility as I did.

MR. FRIEDMAN: Thank you, Max, but that is untrue.

MR. BALL: Since I left, Bob has been doing all that I did, and virtually all that he did before. If he takes the Directorship, he is looking square in the eye, going ahead and trying to do this job, which he says is dangerous to do poorly, trying to do it for \$150,000 a year. Why? Because those of us on the other side of this table have just taken for granted that Congress would do the right thing, and we have not done a thing about it. It isn't too late to cure that condition, I hope. We are not in the most friendly hands in the Senate, but that is where our only hope lies. I hope that we will take enough interest in the thing to bestir ourselves and see that the Oil and Gas Division gets the extra \$75,000 for which it asked.

DR. WILSON: What committee of the Senate will handle that?

CHAIRMAN HALLAHAN: Appropriations.

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CHAIRMAN HALLAHAN: Appropriations.

MR. BALL: The Interior Subcommittee of the Appropriations Committee.

MR. FRIEDMAN: May I point out one thing at this point, Max. That is that the \$325,000 or \$150,000, whichever way you look at it, that we now have, represents the smallest budget that the division has had since it was first established. We did have \$300,000 temporarily the year before, but we got a deficiency appropriation. When we initially were established, when salaries incidently in the Government were much lower than they are now, we had an appropriation of almost half a million dollars. The following year we were cut drastically to about 40 per cent of that initially, with the result that we had to dismiss roughly 60 per cent of our staff. We never recovered from that. We have never gotten any more money.

In other words, we have been on the bottom of the budget ever since. We have been able to convince the Bureau of the Budget that we need more money. Incidentally, that is not easy. They are pretty critical because their job is to cut down budget requests. It is not quite as difficult to convince them usually as it is the Appropriations Committee, but it isn't easy, either. So the fact that they were willing to go along with us on the \$75,000 to me means that Max made an awfully good showing that that was what we needed.

DR. WILSON: Mr. Chairman, I would like to say I



don't think Bob Friedman should any longer feel that he is not able to do the job because of lack of industry experience because I can't think of any broader experience that any man could get in a given amount of time than he has had right here working with Max Ball, working with the other people and working with the Council as he has. I think he can do a bang-up job. I think it is betting on a pretty sure thing. I hope very much that he will accept the job as full time director.

CHAIRMAN HALLANAN: Do you move the approval of the recommendation?

DR. WILSON: Yes, sir.

MR. BALL: May I follow what Bob said with this? Bob has only stated part of it. Bob has had all the experience in the Oil and Gas Division that the Oil and Gas Division has had. I don't know how many of you know it, but Bob had a lot more to do with laying the foundation for the Oil and Gas Division and formulating it than I did because he was in here at the start. He was in here when the plans for an Oil and Gas Division were being drawn up. He bore a major part of the exchange of letters between the President and the Secretary which created the Oil and Gas Division. He was the one, he says he is not proud of this, but just the same, he is the one that handled the interchange with the Department of Justice which got us such legal justification as we have.

But back of that lies the fact that although Bob has never drawn a salary from the Oil industry, he has been in the oil business in one way or another for ten years. He was with PAW throughout except for the time that he was with the Army-Navy Petroleum Board in a very responsible position over there, and then he came back to PAW as Director of Supply and Transportation, and then went into the Oil and Gas Division. So, although Bob hasn't drawn an oil company salary, don't think you are not getting a man who doesn't know a lot about the oil business. All this is assuming that Bob will take it. I know something about Bob's condition and Bob's situation, and if the thing that he mentioned comes along I can't conscientiously recommend that he take the oil and Gas Division directorship because I think if I were in his place I would take this other thing. I am in a very peculiar situation. I want intensely to see Bob director of the Oil and Gas Division. At the same time I don't want to wish him the hard luck that this other thing won't materialize. I do think the chance of the other thing materializing and his therefore having to say no to this is such that we should, because of the announcement you made today, Walter, dismiss the matter from our minds and not do some very serious thinking about what we do next if this other thing comes along and Bob has to take it.

MR. MARSHALL: Mr. Hallanan, as a member of the committee, I want the Council to know that the committee was

enthusiastic about recommending Bob for this job. The committee was enthusiastic not only itself, but because it was confident that the rest of you feel the same way. I am like Max, if the thing that Bob is interested in doing comes along, I couldn't conscientiously say to him as a friend of his that if I were he I wouldn't do it. I think it will be better for the public interest and the industry's interest if it doesn't perchance come along at the moment, but I would sincerely hope that the rest of you who I know do feel that way, because I have talked to most of you or a lot of you, take it on yourselves to express to Bob what the committee feels and what we have all been saying here.

You know there are a lot of ways to learn about an industry, but fundamentally you need certainly two things, and one is an opportunity and the other is a good head. I can tell you from having had Bob work with me as my assistant in the early days of PAW that the head is good, and in terms of learning about the industry the whole group of you have been the educating factors. The job we are talking about takes both knowledge of the industry and knowledge of the Government, and I don't believe that we could make a better choice or a better recommendation than Bob to take the job, and I hope the rest of you tell him so. (Applause)

CHAIRMAN HALLANAN: Mr. Graves.

MR. B. I. GRAVES: As a member of the committee, I

believe Bob Marshall has expressed the view of the committee. We felt after considering all the factors involved that Bob was the person that fitted all the requirements. He has broad knowledge of the business. He has the confidence of the Secretary of the Interior and the staff. I believe he has the respect and confidence of every one in the oil industry who knows him or has had an opportunity to work with him. All during the war it was my privilege to have had contact with Bob Friedman. He has had many assignments, and each assignment he has fulfilled 100 per cent. As I say, I am sure that everyone in the industry who knows him or has worked with him will feel, as the committee does and I do, that he is the ideal man for the job and we do hope he will take it.

CHAIRMAN HALLANAN: Dr. Wilson moves that the recommendation of the committee be approved by the Council. Is there a second?

MR. PYLE: I Second the motion.

CHAIRMAN HALLANAN: All in favor indicate by saying "aye", contrary "no." The recommendation of the committee is unanimously adopted.

MR. FRIEDMAN: Thank you very much. I do appreciate it. (Applause)

CHAIRMAN HALLANAN: Gentlemen, this morning on the agenda I passed over an item relating to the 1949 budget because Mr. Jones, as Chairman of the Finance Committee, was not

present at the time. I do desire at this time to say that last October in response to the expressed concern of a few members, I invited General discussion of the method of solicitation of contributions to the support of the Council. It had been indicated that the provisions of our charter requiring solicitation of an equal share of the annual budget from each member was burdensome on some members. I pointed out then that this method had not been strictly followed in raising the 1948 budget. At no time, however, did I feel that there was any substantial merit in allocations of inequality, but on the contrary, I was certain that our budget had been raised on a completely fair basis, with the knowledge that no group, large or small, had been unduly burdened.

However, I was very much pleased as chairman to have the responsibility for fixing the respective amounts requested for the 1949 budget turned over to a finance committee which you authorized last January. The finance committee, of which Mr. Jones is Chairman, undertook to allocate the individual contributions for the 1949 budget. It was understood that the committee would have to adopt some more or less arbitrary method of apportioning the budget as fairly as may be among the membership, whether they be trade association members or individuals identified with the various oil companies. I think you all will agree that the assignment

was a difficult one for any committee to determine an amount to be solicited from each individual member of this Council, and to have that determination completely accepted by each member according to his own views called for an exceptionally amount of courage and judgment.

Some of you here who have been asked to contribute amounts substantially higher than before must at least admit they have courage. We must also bear in mind that these contributions for the support of the National Petroleum Council are wholly voluntary. The finance committee discharged its duty in presenting on March 23 its recommendations in soliciting your individual contributions for the budget.

I am fearful that in our effort to ease the burden for a few smaller operators or associations, a substantial amount has been transferred from many in the middle brackets to a relatively few members in the higher bracket. Some of these members who have been asked to assume a considerably larger share of the budget this year have already accepted their allotment without question and have sent in their contributions. Others have indicated their willingness to do so. A few have responded with less than the amount recommended by the committee. We hope that they will find it possible to send along the balance of the amount that the Finance Committee has suggested for our very modest budget.

Since a majority of the members of this Council have

already responded to the request for their contributions for the 1949 budget, I do not now deem it advisable to ask the Finance Committee to further revise individual allocations. The experience gained this year under the new provisions adopted will be a helpful guide in attaining, in so far as possible, an equitable allocation of future budget. I did want to take this opportunity to say that I did not feel that there should be such a wide-spread between the minimum and the maximum contributions from members of the Council. I consider the assignment which was given to the Finance Committee has been completed, and I want to express my thanks to Mr. Jones, the Chairman, and the other members of the Committee for the unpleasant task which they assumed.

Are there any remarks in connection with the budget and the report of the Finance Committee?

MR. JACOBSEN: As one of the companies in the middle bracket, as you put it, I must say that I found that our contribution had been reduced and I took it up with Jim Brown and wanted to know why, because I didn't see why it should be reduced in the face of a larger budget. The original idea, of course, was that everybody should pay the same so that there could be no charge that the Council was being financed and therefore perhaps unduly influenced by the larger companies. Then later on the question was raised that some of the members, particularly those representing some of the smaller petroleum

associations, were burdened by paying the exact amount allocated to them if the budget were split evenly among all the members. Therefore, it became necessary to make a change. I realize that that may be the case, but personally I would rather see a change made where the burden is lightened on a relatively few who don't feel they can pay the whole amount, and that more of the amount be allocated to the middle group of companies so as to avoid the charge that a handful of the largest companies pay more than 50 per cent of the budget.

Mr. Follis' letter to you stated his views on it, of which I got a copy, and that expresses my view.

CHAIRMAN HALLANAN: Any other comments?

MR. HOLMAN: Mr. Chairman, I think Mr. Jacobsen expressed my view. I share the views pretty much expressed by you and Mr. Jacobsen, not that we object to our allocation. We were very glad to pay it. I think probably it might be bad for the idea to get out that a few of the larger companies are paying a large proportion of the budget. As far as we are concerned we are quite willing to abide by the decision of the Finance Committee, and I suggest that you leave it as it is and take another look at it next year.

MR. JONES: Mr. Chairman, I wish to speak now not as Chairman of the Finance Committee, but as a member of the Council. You correctly said in your statement about the work



of the committee that it was not an easy job. You also said that the formula that was hit upon was arbitrary. I want to say that I think the ghost of the domination by four or five or 15 or 20 companies is mostly bushwa and eyewash and I would like to help lay that ghost if I can. This body, the Petroleum Council, is not a trade association in any sense of the word. It is a quasi-public body created by appointment of the Secretary of the Interior. We have certain very nominal expenses, and I think the Chairman and the staff of the Council have kept them well within the bounds of reason. Whether 15 or 20 companies pay a few dollars more or less isn't vital. I don't believe any of them think so. If any of them wish to pay more than the amount suggested by the finance committee/<sup>he</sup> is at liberty to do so. They are not restrained.

Jake, if you want to send another check, I think we may need it. I don't want the Council to get the impression from anything the Chairman said that we just got together and tossed a hat up in the air and didn't try to do a job. I rather resent, if you please, the suggestion that we did. I am not very touchy about things usually, but I didn't particularly like that approach to the problem.

Now let's get to the nub of the question. This Council has some justification for existence or it doesn't. If it has justification for existence, it is that it will

serve well the petroleum industry and the public. If it serves well the petroleum industry and the public, those who benefit from that service are entitled to pay for it. I submit that somebody's suggestion in the original meeting we had trying to discuss the ways and means of raising this fund that we need to carry on was swept away perhaps a little emotionally, and I know who it was and so do you all, when he made his speech about the question of not having this Council dominated by a few people. It can't be. Any one who understands the make-up of the Council knows that. It does represent truly I think a cross section of the American petroleum industry. I think we are making a tempest out of a teapot. I am glad the committee is discharged and I will tell you I will have nothing more to do with the fixing of formulas. I think it is eyewash that this Council could be dominated by those who subscribe to more than 50 per cent of its fund of \$76,000 or \$78,000 or whatever it is. It is not enough for anybody to get excited about. I am sorry that the committee assumed the responsibility in the first place. I am sorry we didn't leave it with the Chairman and the Honorable Secretary, who did a pretty good job last year. I don't care how the budget is raised, but I don't think it was quite fair for the Finance Committee to deal with that subject that that way. I have got that off my chest and I feel a lot better about it. I thank you.

CHAIRMAN HALLANAN: Mr. Jones, I don't know of the implication of your remarks--

MR. JONES: I might as well make it clear to you. I didn't like the tone of your letter. It was this: I appoint you as chairman of a committee and you get a group of five men together who are pretty decent sort of fellows. They make a report. The Honorable Secretary sends out the notices and then you write a four-page letter criticising everything that was said in the report.

CHAIRMAN HALLANAN: No.

MR. JONES: I thank you very much. I didn't like that approach.

CHAIRMAN HALLANAN: I must take this opportunity, then, to tell my side of the story, Mr. Jones.

MR. JONES: You have already told your story. You wrote a letter and circulated it all around.

CHAIRMAN HALLANAN: No, I didn't. I don't know that the members of this Council have been circularized at all. I have adhered to the conviction that you felt and we all felt when this Council was originally created that we should seek in every possible way to maintain that equality of membership so that there would be no charge that this council was dominated by any group, large or small. The one thing that was unanimously agreed upon and emphasized in the early deliberations prior to the organization of the Council was

that that was an essential approach, that we must maintain that, and we must avoid any suspicion that there was any danger of its coming under any financial or domination of any kind by the major groups. I still adhere to that conviction. I think it is as important now as it was then. I have been all over the country--

MR. JONES: Would you suggest then that we go back to the original formula of dividing equally among the membership?

CHAIRMAN HALLANAN: No, I don't think that has been found practical.

MR. JONES: I don't, either.

CHAIRMAN HALLANAN: But I think there is a middle ground that we can take whereby we can avoid the allegation that the larger part of the budget is raised by a few of the companies. I don't want to impose any great burden upon any member, but like Mr. Jacobsen, our contribution was cut half in two. I saw no reason for it. I don't see any reason yet today. I don't see why that should have been put over on someone else. But I have been through this congressional situation for a good long while, and I know that there are those who would like, not that they could sustain the charge that the Council was dominated, I don't ever concede that, but they would like to create a suspicion that it was, and they would like to use the figures of the larger contributions to sustain

it. I think the farther away we keep from that, the longer this Council will live as it has lived since its organization.

MR. DUNNIGAN: Mr. Chairman.

MR. MAJEWSKI: Mr. Chairman, I was the fellow who was so emotional when we started this and suggested that we do this thing alike. I think the finance committee made a hell of a fine report. I have heard a lot of - and I was one of the fellows who got a copy of Walter's letter. I wasn't disturbed about it. I kind of like what they did. I had some comments from the field. Fellows thought that the share that was allocated to them originally was too much and they were embarrassed by having to send in just a small amount. They think they are getting an allocation now that they can meet, most of them. When you review the thing you get a new slant on this. You can answer all the politicians in a hurry. When you want anything done you have to get technical brains and able fellows. Where do you get them? You get them from the big companies. You get Howard Page. You couldn't do anything without Howard Page. You go get John I. Boatwright in my part of the country, you are dead if you don't. Who has fellows like that? The big companies. When you are talking about this small amount of money, \$75,000, we are speaking and utilizing millions of dollars of ability and help from the big companies that nobody criticises. They welcome it. I think, Pete, you did a hell of a fine job with

your committee and I agree with you that we should let it go until next year. I hope we can charge the big companies more money next year.

CHAIRMAN HALAHAN: You have had a change of faith, haven't you?

MR. MAJENSKI: Not of faith. I am still a catholic.

MR. DUNNIGAN: Barney and the rest reminds me of the old Irish Catholic priest who said 51 Sundays of the year I speak on sin, and today I must talk about finances. I see no sin performed in any of the committee's work. I think they have done a very fine job. I want to suggest only one thing, Mr. Chairman. I have heard only one criticism of our finance set-up, either in the past or in the present. That is not from members of the Council. I have never heard a single member of the Council say that they thought that their allocation was too high or too low. I have heard other oil companies not represented here on the Council say this is the National Petroleum Council representing all of us. It is not a private organization, not a private club. Why isn't it spread over all of us? That is the only criticism that I have ever heard. I have done my best to answer it, Mr. Chairman. I wish you would give me some additional information.

MR. WESCOAT: I have been quiet all day. I do want to call your attention to this fact. Those of you who were on the planning and coordinating committee in the NRA days

will recall that Secretary Ickes was very specific in his instructions as to financing that operation which cost substantially more money than this institution, and that that must be done on the basis of ability to pay. A formula was worked out similar to this formula, perhaps a little more scientific than this, in that it took in the number of barrels and earnings and so on, very much as we are financing the API today. That was submitted to the Secretary and approved by him as a proper method of raising money, so if the question should arise later on, I think we have a very good background on which we can lean to say the previous Secretary had approved that formula and we had followed it in this instance.

MR. JONES: In all fairness, I don't want any question about this, because I don't think you meant it. This is the first time in my service with the Petroleum Council or any of its officers that I have ever been dealt with in this fashion. I resent it. I resent it on account of the committee. Jim Wasecoat, Mr. Porter and the other gentleman who worked with me are not entitled to that kind of treatment from this Council. You did this, you asked us for a report and we filed it. You and Jim got together and decided it was no good. You sent out a request for solicitation on the formula. Then you wrote this letter that you circulated rather widely. Now if you had been so strong in your feelings about changing this method of assessing the membership, I would have been mightly

glad to hear that when I was made chairman. It would have helped me greatly in such contributions as I made to the deliberations. I learned of that first in your letter. I didn't know how strongly you felt about it. I think if you will examine the formula, it has a modicum of sense about it. Maybe you and Jim don't think so, but it does have a modicum of sense. So I hope you won't think that I am just being personal, but I feel perhaps in this case somebody got off base. If was me, then I apologize.

CHAIRMAN HALLANAN: I yield to your complete right of opinion, Pete. On the other hand, of course, I do not concede that an effort to be alert to the best interests of the Council, I must blind myself to a formula which I do not think is the best for the Council to follow. I think there are elements of danger that are serious, and I think there are many members of the Council who share that view. I do not think I am alone in that regard.

MR. HILL: Mr. Chairman, might I spread a couple of drops of oil on the troubled waters here?

MR. JONES: Better take it easy. I don't want to lose any more friends.

MR. HILL: I can't see very good without my bifocals. I didn't know you were over there. I know that anything that you may have said that offended Pete, you didn't mean, and anything that Pete may have said to offend you, he didn't mean, and we can always rest secure in this: No matter what



the damned formula is, I belong to the PIWC, and the NPC, and the API, and the IWPA, and the Mid-Continent and all of them, and in no oil industry group is a man ever tagged by the size of the contribution that he made, and there is no man who ever arrogated to himself, large or small, a special position because of his contribution. So that is where we are safe, Walter. I don't know what the resolution is, but let's approve what has been done and go ahead without any. I so move.

CHAIRMAN HALLANAN: We have accepted it.

MR. HILL: I was out. It is accepted then. So you accept my few drops of oil.

MR. WESCOAT: The minutes show that the Democratic process has been in effect.

CHAIRMAN HALLANAN: Gentleman, that concludes the business unless there is some new business.

MR. WESCOAT: I move we adjourn, Mr. Chairman.

CHAIRMAN HALLANAN: It has been moved we adjourn.

(The motion was seconded, put to a vote and carried.)

(Whereupon, at five o'clock p.m., the Council was adjourned.)